0856-B-03 PREX 7.10:FBIS-EAS-94-164

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# Daily Report

# East Asia

FBIS-EAS-94-164
Wednesday
24 August 1994

JB 99-014322

COMPLETED

# Daily Report
## East Asia

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**NOTICE TO READERS:** An * indicates material not disseminated in electronic form.

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IV

# Japan

## Further Reports Concerning U.S. Framework Talks

### First Day of Insurance Talks

*OW2408024794 Tokyo KYODO in English 0229 GMT 24 Aug 94*

[Text] Washington, Aug. 23 KYODO—Japan and the United States on Tuesday [23 August] ended the first of two days of talks on insurance with a U.S. trade negotiator indicating little chance of settling the issue.

Japan's insurance market is one of three priority areas under discussion in the bilateral "framework" trade negotiations.

U.S. Trade Negotiator Ira Wolf said in a telephone interview that there will probably be no press conference after the talks, suggesting only the possibility of the two countries reaching an accord on opening up Japan's insurance market to foreign companies.

Earlier in the day, sources close to the talks also said that, although the insurance talks are making progress compared with the two other priority areas, the two sides have not entered the phase of negotiating the wording of the possible agreement.

Japan and the U.S. are to resume subcabinet-level talks on the two other priority fields—government procurement and auto and auto parts—in early September.

Washington has set Sept. 30 as a deadline for deciding whether to impose sanctions against Japan under the "Super 301" provision of a 1988 trade act, in retaliation for "unfair" trade practices.

### 'Source' Pessimistic

*OW2308234094 Tokyo KYODO in English 0812 GMT 23 Aug 94*

[Text] Washington, Aug. 23 KYODO—Japan and the United States began two days of talks Tuesday [23 August] in Seattle on insurance trade, one of three priority areas under the bilateral "framework" economic negotiations.

Sources close to the negotiations, however, suggested that the two countries are unlikely to reach a final agreement on opening up Japan's insurance market to foreign companies during the two-day negotiations.

The sources said that although the insurance talks are making rapid progress compared with the two other priority areas, the two sides have not entered the phase of negotiating the wording of the possible agreement.

Japan and the U.S. are to resume subcabinet-level talks on the two other priority areas—government procurement and autos and auto parts—in early September.

### Procurement Talks Scheduled 7 Sep

*OW2408111994 Tokyo KYODO in English 1100 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 KYODO—Japan and the United States will hold vice ministerial talks on government procurement issues in Los Angeles on Sept. 7, a top Foreign Ministry official said Wednesday [24 August].

The talks between Japan's Deputy Foreign Minister Sadayuki Hayashi and U.S. Deputy Trade Representative Charlene Barshefsky will be held the day before a meeting between Japanese Foreign Minister Yohei Kono and U.S. Trade Representative Mickey Kantor on the same topic.

The official said Tokyo hopes these talks will pave the way for reaching an agreement on government procurement issues before the Sept. 30 deadline set by Washington for possible trade sanctions.

A senior official at the Ministry of International Trade and Industry has said it is difficult to expect the upcoming talks to yield a final agreement and noted that Kono will be meeting Kantor again in late September to discuss the topic when he visits the United States to attend the UN General Assembly meeting.

## Impact of U.S. Labeling Law on Japanese Sales

*OW2308020394 Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Aug 94 Morning Edition p 9*

[Article by New York correspondent Motohiro Matsumoto: "U.S. Labeling Law May Sow the Seeds of Renewed Auto Friction"]

[Text] New York, 19 Aug—The U.S. Labeling Law, set to go into force in October, will have a negative medium- and long-term impact on the sales of Japanese-built automobiles on the U.S. vehicle market and may sow the seeds of renewed auto friction between Japan and the United States. The law makes it mandatory to label the ratio of local content in foreign-built automobiles that are sold on the U.S. vehicle market, and American consumers will buy foreign-built automobiles, taking into account the ratio of local content labeled on them. All types of automobiles built in Japan will carry labels indicating that the ratio of their local content is all but zero. The ratio of local content of the "Camry," built by Toyota Motor Corporation in the United States, and the "Accord," built by Honda Motor Company in the United States, will significantly decline.

At present, it is unclear what ratio of local content the Camry and Accord will have in the future. However, as far as Japanese automobiles built in the United States are concerned the ratio of local content of the Camry and the Accord has been well above 70 percent. There is a high possibility that the "ratio of local content of all Japanese automobiles, built both in Japan and the United States combined, will fall below 50 percent," (says an official at a Japanese automobile company).

The possibility is slim that a sharp fall in the ratio of local content of Japanese-built automobiles will immediately lead American consumers to refrain from buying them, but the possibility is high that the Big Three, who have backed the labeling law, will adroitly attack the "double standards" of Japanese-built automobiles through advertising. The danger is also high that the labeling law will deal a body blow to the future sales of Japanese-built automobiles on the U.S. vehicle market.

Since the 1980s, the U.S. automobile industry has frequently called for setting a ceiling on the total number of Japanese-built automobiles sold on the U.S. vehicle market. With the U.S. vehicle market rapidly expanding, however, the U.S. automobile industry presently remains silent. But there is a high possibility that the industry will renew the call for setting the ceiling if and when the demand for automobiles in the United States drops in the future. If the demand for automobiles drops in the United States, the Big Three would work to persuade congressmen and American consumers of the need to set a ceiling, claiming that "Under the labeling law, the ratio of local content of Japanese-built automobiles is less than 50 percent." It can be said that with the labeling law set to go into force, the U.S. automobile industry has now obtained another potent card to play in auto negotiations with the Japanese automobile industry.

### Information Exchange Pact With U.S. SEC Expected

*OW2308134894 Tokyo YOMIURI SHIMBUN in Japanese 18 Aug 94 Morning Edition p 9*

[Text] It is believed that illegal securities transactions will increase at overseas markets due to internationalization of securities markets. In an effort to prevent such illegal transactions, the Ministry of Finance [MOF] announced on 17 August its decision to conclude the first information exchange accord with the U.S. Securities and Exchange Commission (SEC) by the end of this year. Following an increase in the volume of securities transactions both in Japan and the United States, it has become necessary to strengthen monitoring and establish a system for exchanging survey results. The MOF plans to coordinate final details of the agreement with U.S. Government officials in charge of this matter when they visit Japan to attend an annual general meeting of the International Organization of Securities Commissions (IOSCO) to be held in Tokyo in October.

The international securities market has been sharply growing since around 1980. At present, stocks of 10 Japanese firms are listed on the New York Stock Exchange, and those of 49 American firms on the Tokyo Stock Exchange. It is believed that the securities business will be further internationalized in the future.

The two nations signed a memorandum on information exchange in May 1986. However, exchanged information has not been detailed enough to give adequate supervision or advice to brokerage houses or securities-related businesses who are suspected of illegal trading in Japanese and U.S. markets.

This agreement aims to "prevent illegal securities transactions, maintain healthy markets, and protect investors through effective implementation of regulations" (according to an MOF official). If cooperation in administrative surveys by the two governments is requested, the MOF and SEC will take the necessary steps—such as ordering suspects to submit reports or reference documents—and conduct new surveys so that the necessary information can be provided to each other.

International accords similar to this have already been signed among major European countries and the United States. As for Japan, however, this accord with the United States will be the first of that kind. The MOF plans to conclude similar treaties with Asian and European nations, such as Britain.

### Accord With U.S. on Military Research Likely

*OW2408080694 Tokyo NIHON KEIZAI SHIMBUN in Japanese 22 Aug 94 Morning Edition p 1*

[Text] It has become likely that the Japanese and U.S. Governments will agree on initiating new joint research projects as part of the two governments' defense technology exchange programs. Two of the prospective projects are "advanced steel technology," which can be used in welding super-high tension steel materials in naval vessels, and "Aisef [name as published] laser" technology, which makes the generation of long-wave, low-output laser rays possible.

Full-scale work on them can start soon on the premise that a memorandum of understanding [MOU] will be signed at the Japan-U.S. System and Technology Forum [S&TF] to be held this autumn. The projects are intended to respond to the U.S.-demand for "mutual exchanges" of information. The government also hopes that achieving good results in the defense technology exchange programs will contribute to the underlining of the Japan-U.S. security system, which Prime Minister Murayama seeks to emphasize.

The advanced steel technology, joint research on which is expected to be agreed upon, is one of the six projects that a working group of technical experts has been studying as possible subjects for research contingent upon a S&TF agreement. Another of the six projects concerns the "Ducted [as published] Rocket Engine," a new rocket engine that can fly a long distance at ultrasonic speed. Joint research on it is already underway.

The advanced steel technology is a technology required to weld super-high tension steel materials on naval vessels, and this will enable submarines to go deeper into the sea. A general agreement on the technical details was made last fall, and preparations are now underway for signing a MOU. The Aisef laser technology is a technology to generate laser rays with low output and long waves so human eyesight is not injured by the rays. This technology will enable the development of measuring instruments and object detection apparatuses that will be safe to use. A joint working group on the project was launched in September 1992.

The government wants the technical experts to finalize working-level talks in September so that the two governments can arrive at a final accord on the project at the S&TF to be held in Washington. The Defense Issue Conference, which is studying the issue of defense capabilities appropriate for post-Cold War Japan, has written a report to Prime Minister Murayama proposing "further promotion of the Japan-U.S. defense technology exchanges." As such, the government considers it necessary to achieve concrete results in the joint research programs.

The Japan-U.S. defense technology exchange programs currently underway include the joint development of the next-generation support fighter (FSX) being carried out with technology provided by the United States and with the entire financial burdens borne by Japan. There also are some joint research projects being undertaken by Japan and the United States as equal partners. The United States wants Japan to provide its private-sector technologies for use as military technologies, and this year the two countries set up a "technology system group (TSG) as a framework for talks on the transfer of private-sector technologies for use as military technologies.

But private-sector technologies are owned by private businesses, and hence, there are limitations to what the government can do in taking leadership to cooperate with the United States. As such, the government has decided to push for promotion of government-to-government technological exchanges instead.

## Osaka Auto Dealer To Sell U.S.-Built Ford Cars

*OW2408074594 Tokyo KYODO in English 0702 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 KYODO—A newly established Japanese auto dealer will sell U.S.-built Ford vehicles under a tie-up with another Japanese auto dealer, Autorama Co., and Ford Motor Co. (Japan), Autorama announced Wednesday [24 August].

Ford Grand Marche Osaka Co., established Aug. 1 as a subsidiary of Nissan Prince Osaka Co., expects to sell an average of 15 vehicles a month worth 45 million yen in the first year and increase monthly sales to 25 vehicles worth 75 million yen in and beyond the second year, Nissan Prince Osaka said.

## Editorial Examines U.S. Interest Rate Hike

*942A0594A Tokyo YOMIURI SHIMBUN in Japanese 19 Aug 94 p 3*

[Editorial: "Using U.S. Interest Rate Hike for World Economic Recovery"]

[Text] It appears that many currency and financial experts feel that the interest rate hikes implemented by the Federal Reserve Board (FRB) on 16 August were "greater than expected."

Congressional sources strongly resist policies which have the potential to restrain economic expansion ahead of the midterm elections to be held in November. Reportedly, a Democratic member voiced criticism during a Senate Banking Committee meeting last month, and the Clinton government was supposedly negative on the rate hike.

Speculation was strong that the FRB would not have the "courage" to simultaneously implement a 0.5-percent hike of the official discount rate and the benchmark federal funds rate following a similar hike in May of this year, which confirmed a shift to a monetary tightening policy.

The FRB implemented both hikes simultaneously because it came to the clear-cut decision that there was a need "to suppress inflation and promote sustained growth" as clarified in its statement released after the decision was made. We believe the decision was a worthy one.

Since the beginning of this year, the U.S. economy has maintained an economic expansion rate which exceeds the ideal underlying annual growth rate of 2.5 to 3.0 percent, while economic indices such as employment statistics, producer prices, and consumer prices indicated potential future inflation.

The recent rate hikes are expected to restrain inflationary expectations, prevent a further drop in bond prices which brought fears of a rise in long-term interest rates, correct the weak dollar trend, and brake the rise in import prices.

Realization of noninflationary, sustained growth in the United States is a plus for the global economic recovery. Japan, European nations such as Germany, and Asian nations such as China are greatly aided by a favorable economy and active imports into the United States.

In its annual report published in the latter part of last month, the International Monetary Fund (IMF) had suggested that the United States "take additional measures to sustain noninflationary growth." The interest rate hikes were in a sense made in response to the IMF report.

We would like to point out that policy coordination by major nations such as Japan and Germany is necessary in order that the FRB's bold interest rate hikes will have the desired effect in terms of sustained U.S. growth and the smooth recovery of the global economy.

A look at foreign exchange markets subsequent to the rate hikes indicates few signs of stabilization of the dollar. The reason for the situation rests with the continued existence of strong-yen factors such as the significant Japanese balance-of-payments surplus, friction resulting from lack of progress in the Japan-U.S. trade framework talks, and the possibility of pressure from the U.S. Government for a stronger yen.

As for the mark, a recovery in the German economy has lessened the potential for further drops in interest rates and the Bundesbank seems to be taking a wait-and-see attitude towards domestic and international economic trends.

Even if the need for further interest rate cuts has receded amidst an improving economic trend in Japan and Germany, there is a need for the Bank of Japan and the Bundesbank to elucidate their current low interest rate policies domestically and internationally as a means to stabilize foreign exchange rates to correct the weak dollar trend and to promote further economic recovery.

The Japanese Government must make an all-out effort to arrive at an early resolution with the U.S. Government of issues pending in the three priority areas of the framework talks, to include government procurement procedures.

Public commitments made at the Naples summit of industrialized nations covered tax reform, including continuation of the tax cut, a substantial increase of the basic public works investment program backed by actual funding, and fundamental deregulation including market-opening measures. We need to accelerate these actions.

### U.S. Welcomes Dispatch of Troops to Rwanda Area

*OW2408060794 Tokyo KYODO in English 0537 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 KYODO—U.S. President Bill Clinton has sent a letter to Japanese Prime Minister Tomiichi Murayama welcoming Japan's sending of troops to countries bordering Rwanda to help refugees, government sources said Wednesday [24 August].

Clinton also urged in the letter, received by Murayama in mid-August, that Japan and the United States closely cooperate to assist the restoration of the civil war-hit central African country, they said.

Helping the repatriation of refugees and the building up of social infrastructures in the region will be important from now on, and Japan and the U.S. should cooperate as they are the largest donor countries there, the letter said, according to the sources.

J. Brian Atwood, administrator of the U.S. International Development Cooperation Agency, has also sent a letter to Hiroshi Hirabayashi, director of the Foreign Ministry's Economic Cooperation Bureau, to urge bilateral cooperation, and Japan and the U.S. are expected to begin talks soon on the issue, they said.

Japan's ruling coalition party leaders decided Aug. 17 to send a contingent of the Self-Defense Forces to the nations neighboring Rwanda, now inundated by millions of refugees who fled the ethnic slaughter.

The Japanese troops are likely to engage in such activities as providing medical and sanitary care, supplying food and water to refugees and setting up accommodation at refugee camps.

### Agenda of Quadrilateral Trade Ministers Meeting

*OW2308135894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 18 Aug 94 Morning Edition p 5*

[Text] Topics of discussion at a quadrilateral meeting of trade ministers, which will be held in Los Angeles 9-11 September, have been determined. The main pillars of discussion at the meeting will be: 1) domestic promotion of the Uruguay Round agreement; 2) the problem of seating Taiwan and China in the World Trade Organization (WTO); 3) new theme on trade [boeki tema], including "trade and environment;" and 4) "Open Markets 2000," a U.S. proposal [to open talks on reducing trade barriers in such key sectors as telecommunications]. Regarding the WTO, which is scheduled to be formed in January next year, Japan will confirm ratification of a WTO accord within this year.

The quadrilateral meeting is a venue where trade ministers of Japan, the United States, Canada, and the European Committee exchange wide-ranging opinions on trade issues. Ryutaro Hashimoto, international trade and industry minister, and Yohei Kono, deputy prime minister and foreign minister, will represent Japan at the meeting .

The WTO will be formed as an international organization to replace GATT. GATT member nations are hurriedly preparing for ratification of a WTO accord and domestic implementation of the Uruguay Round agreement. At the meeting, the trade ministers will confirm that each country will hurriedly make preparations in line with the Uruguay Round agreement. Regarding a U.S. bill for implementing the Uruguay Round agreement, however, other countries have criticized the United States one after another, saying that its antidumping clause is against the Uruguay Round agreement. Japan and Europe will demand the United States abide by the agreement.

It is likely that environment, competition, investment, and labor standards will be taken up as topics of post-Uruguay Round trade negotiations. The trade ministers will exchange opinions mainly on measures to deal with these four issues.

At the industrialized nations' recent summit (Naples Summit), the United States proposed the "Open Markets 2000." However, it was withdrawn due to opposition from France and other countries. At the quadrilateral meting, however, this proposal will be taken up again for discussion because of a request made by the United States, the meeting's host nation. In addition, Japan plans to propose "measures to liberalize economics and trade." They are measures that will be promoted by the seven industrialized nations while cooperating with each other in easing regulations.

### Environment Sanctions Opposed

*OW2308143194 Tokyo YOMIURI SHIMBUN in Japanese 16 Aug 94 Evening Edition p 1*

[Text] On 16 August, the Ministry International Trade and Industry [MITI] disclosed "five principles" Japan will announce at a new multilateral conference where "harmony between trade and environment" will be a main topic of discussion. MITI will make the announcement at a quadrilateral meeting of trade ministers, scheduled to begin in Los Angeles on 9 September. The principles oppose unilateral sanctions designed to force other countries to change their environmental policies. They also oppose the environmental dumping doctrine, which says "developing countries are exporting low-priced products without taking sufficient measures to protect the environment." In this way, the principles clearly spell out Japan's considerations for developing countries.

The five principles are: 1) Development should be promoted while exerting efforts to encourage the coexistence of the multinational trade framework and environmental protection measures; 2) Japan opposes developed countries' antidumping taxes imposed on developing countries that do not take sufficient measures to protect the environment; 3) Rules should be drafted, in place of unilateral action, to preserve global environment through treaties signed by more than two nations; 4) Environmental policies should be unified and applied to every country without discrimination; and 5) Japan will promote technological cooperation to support developing countries environmental measures.

The United States has demanded that "trade and the environment" be the main topic for the next round of multinational trade talks. In June, an Organization for Economic Cooperation and Development (OECD) ministerial council meeting also decided to take up the issue for future discussion.

Such issues tend to have harsher ramifications for developing countries. They include how to deal with random lumbering in tropical rain forests, the result of liberalization of the timber trade, and whether it is acceptable to ban imports produced at factories that do not meet the importing country's environmental standards.

In the United States, there was a movement to use trade policies as weapons for protecting the environment. It was difficult to achieve congressional approval of the North American Free Trade Agreement (NAFTA) in 1993 because environmental protection organizations demanded that an "environmental dumping tax" be imposed on Mexico.

By submitting the five principles, Japan will clarify its stance of opposing the idea of restricting trade on the strength of protecting the environment.

## Reportage on Efforts To Gain UNSC Seat

### Ministry Official's Views

*OW2408111794 Tokyo KYODO in English 1050 GMT 24 Aug 94*

[Text] New York, Aug. 24 KYODO—A United Nations panel preparing recommendations for restructuring the UN Security Council [UNSC] says the matter needs further debate at the 45th General Assembly meeting beginning Sept. 20, according to a draft panel report made available Wednesday [24 August].

The report does not refer to any concrete recommendations under consideration.

Instead, it notes differing opinions among UN member countries over how to restructure the world body, including the question of permanent Security Council seats for Japan and Germany.

The panel, headed by UN General Assembly President Samuel Insanally, is scheduled to hold its final meeting Aug. 31, after which it will finalize the wording and adopt the report.

The panel was established by the General Assembly in December 1993, with all member countries entitled to participation in closed-door discussions.

Panel members, who have met 21 times since January, are considering a possible increase in the number of countries on the Council and other revisions in its organization.

The report says debate over an equitable system of representation, the scale of the Council's expansion and the composition of an expanded council was substantive and constructive.

While such debate has clarified differing stances among member countries, more time is needed to discuss these problems, it says.

On May 27, the panel said in an interim report that the Council's current structure is not representative and proposed boosting the number of members to between 20 and 25 from the current 15.

But the draft report makes no references to these issues due to objection by some members countries, suggesting that debate remains inconclusive.

The Japanese Foreign Ministry and other sources claim 36 countries, including the United States, Britain and France, now support Japan's bid for permanent membership on the Council.

But panel debate did not extend to the question of geographic distribution of membership, with the possible inclusion of major regional powers like India and Brazil.

A high-ranking Japanese Foreign Ministry official said the absence of any reference to specific measures for revising the Council has been expected, adding that Tokyo is prepared to wait until it can build up enough support for its bid for a permanent seat among neighboring Asian countries.

### Think Tank Urges Pursuit

*OW2308140994 Tokyo KYODO in English 1104 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—A think tank formed by business executives Tuesday urged Japan to seek a permanent seat on the United Nations Security Council [UNSC] to contribute to reforms of the world body.

The Japan Economic Research Institute said in a report released Tuesday [23 August] that Japan should participate positively in UN Activities, including military missions.

UN reforms will be difficult without Japan's contributions of economic power and human resources, the organization said.

It also said Japan and Germany should be provided with permanent seats on the body.

The institute proposed that a permanent small-scale contingent for peacekeeping operations and a training center for such forces be created.

The organization called for a substantial increase in the UN budget through additional contributions from nations with high defense outlays.

The institute said the appeal will be sent Wednesday to Foreign Minister Yohei Kono and the UN Headquarters.

## Focal Points of Murayama's Asia Visit Noted

*OW2308133294 Tokyo MAINICHI SHIMBUN in Japanese 22 Aug 94 Morning Edition p 2*

[Text] On 23 August, Prime Minister Tomiichi Murayama kicks off his visits to three ASEAN member countries and Vietnam. Attention is focused on a Japanese prime minister's first visit to Vietnam since diplomatic relations were normalized, and on how far Murayama—who is not only the head of the ruling coalition government composed of the Liberal Democratic Party [LDP], the Social Democratic Party of Japan [SDPJ], and Sakigake [Harbinger] but also the head of the SDPJ—will go when he states his historical perception on "past issues," such as the Pacific war, and the policy of putting emphasis on Asia. Nevertheless, the Ministry of Foreign Affairs [MOFA] is cautious of past issues being treated as a main topic during Murayama's visits. The MOFA's principal object is to stress the "continuity of diplomacy" under the new government. Thus, it is uncertain whether Murayama will be able to state his own ideas.

When Murayama and Koichi Kato, LDP Policy Research Council chairman, met in mid-August, they agreed: "We should follow the diplomacy of former governments. But the policy of putting emphasis on Asia should make the nature of the Murayama government."

Since his inauguration as prime minister, Murayama has stressed that his government will "maintain" the Japan-U.S. security arrangements and follow the diplomacy of former governments. His primary diplomatic goal is to dispel apprehension over the SDPJ-led government. He intends to make efforts to achieve this goal during his visits.

Ichiro Ozawa, chief secretary of the opposition Shinseito [Japan Renewal Party], has advocated a policy of attaching importance to relations with the United States. Meanwhile, the ruling LDP, SDPJ, and Sakigake are likely to implement a positive Asian diplomacy from now on. In addition, ASEAN nations have entered the new era of "security dialogue" and "expansion." Thus, there is an opinion within the ruling parties: "Presence of U.S. forces in Asia will be a prerequisite [for Japan to implement a positive Asia policy]. Even so, the government should work out specific measures to promote its policy of putting emphasis on Asia," (as stated by a senior LDP official).

However, the MOFA has taken a cool attitude toward the Murayama administration adopting policies of its own. As was observed at the recent ASEAN expanded meeting of foreign ministers, which Foreign Minister Yohei Kono attended, the ministry puts priority on maintaining good relations with the United States. A senior MOFA official said: "The government has only to stress the continuity of diplomacy." Also, the ministry has taken a cautious approach toward the East Asia Economic Caucus (EAEC) concept proposed by Prime Minister Mahathir bin Mohamad of Malaysia, one of the countries Murayama will visit. The United States is opposed to the concept.

In connection with Japan's historical recognition of the Pacific war, a prerequisite for the government's "Asia policy," the MOFA believes war remarks by former Environment Agency chief Shin Sakurai, for which he was ousted from his post, have been received differently by China, South Korea, and Southeast Asian countries. The MOFA expects Murayama will make some remarks on past issues, but it is cautious of Murayama discussing such issues as a main topic in separate talks with Asian leaders. Although the comfort women issue has been taken up for discussion in the Philippines, the ministry hopes Murayama will not refer to it.

Acting Sakigake Chief Secretary Shusei Tanaka said: "The Murayama administration is different from former LDP-led governments. Former prime ministers have said the Pacific war was wrong, but the statement was accepted with doubt. The Murayama government should show its sincerity to other countries." He then pointed out "advantages" to be gained if Murayama states his historical perception on the diplomatic stage. Now, the issue of whether or not a government should carry out its own policies is likely to be argued again.

### Murayama's Visit to China Under Consideration

*OW2308031194 Tokyo KYODO in English 0300 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—The government is considering a China visit for Prime Minister Tomiichi Murayama around mid-October, a government source said Tuesday [23 August].

Chinese President Jiang Zemin officially invited Murayama to China in a meeting last Wednesday with Koichi Kato, chief of the Policy Affairs Research Council of the Liberal Democratic Party (LDP).

The following day, Murayama told reporters he would like to visit there "as soon as possible."

Murayama, who took the office in late June, became Japan's first socialist premier in 47 years when his Social Democratic Party [of Japan] formed an alliance with the LDP, its long-time foe. He left Japan Tuesday on an eight-day trip to southeast Asia that will take him to the Philippines, Vietnam, Malaysia and Singapore.

### Former Prime Minister Returns From PRC Visit

*OW2308130894 Tokyo KYODO in English 1134 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—Former Prime Minister Noboru Takeshita returned home Tuesday [23 August] from China where he attended ceremonies marking the completion of a Japanese-funded center for ancient Buddhist stone murals and met with Chinese leaders.

Just before his departure from Beijing, Takeshita met with Premier Li Peng who expressed hope for political stability in Japan, his aides said.

Li also stressed to Takeshita that yen loans are an important factor in a new Chinese five-year plan, according to the aides.

Takeshita also conferred with President Jiang Zemin and other Chinese officials during his five-day visit.

### Kono To Visit Brazil, Argentina, Egypt, U.S.

*OW2308012494 Tokyo KYODO in English 0101 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—Foreign Minister Yohei Kono will make a four-nation tour that will take him to Brazil, Argentina, Egypt and the United States from Aug. 28 to Sept. 12, the Foreign Ministry said Tuesday [23 August].

Kono will visit Brazil from Aug. 30 to Sept. 2 and Argentina on Sept. 2-3, the ministry said. He will then visit Cairo from Sept. 5 to 7 to attend a U.N.- sponsored international meeting on population and development, and depart for the U.S. city of Los Angeles on Sept. 7 to attend a ministerial meeting of the so-called "quadrilateral" countries on trade, it said.

In Brazil, he will attend the second "troika" foreign ministerial meeting of the Rio Group with his counterparts from Brazil, Ecuador and Chile as part of Japan's efforts to strengthen ties with Latin American countries.

The "troika" consists of the Rio Group's current chair country as well as the previous year's and next year's chair countries.

Brazil is chair of the Rio Group this year, Ecuador will be chair next year and Chile was the chair last year. The first "troika" meeting was held in may 1993 in Tokyo.

The 12-member Rio Group consists of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

Kono is also expected to meet Brazilian President Itamar Franco and Foreign Minister Celso Luiz Nunes Amorim during his stay in Brazil.

In Argentina, he will hold talks with President Carlos Saul Menem and Foreign Minister Guido di Tella to discuss bilateral and international affairs, the ministry said.

At the international conference on population and development in Cairo, Kono will deliver a speech and discuss Japan's plans to promote international cooperation in the field.

Representatives from some 180 countries, international organizations and nongovernmental organizations are expected to attend the meeting, which is to be held for the first time in 10 years.

In Los Angeles, Kono will join Trade Minister Ryutaro Hashimoto at the meeting of the quadrilateral countries, which groups Canada, the European Union, Japan and the U.S.

### Measures To Cover Wartime Acts To Be Announced

*OW2408115194 Tokyo KYODO in English 1120 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 KYODO—Japan is likely to announce measures to substitute for wartime compensation after Prime Minister Tomiichi Murayama returns from a four-nation trip to Southeast Asia, a senior Foreign Ministry source said Wednesday [24 August].

Murayama is expected to issue a statement on the measures after he returns Tuesday from the eight-day tour, the source said.

Murayama will explain to the region's leaders the steps in lieu of compensation for victims of Japan's wartime aggression, including former "comfort women," but their announcement will be made after he returns, the source said.

He is currently in the Philippines and will also visit Vietnam, Malaysia and Singapore.

The government is said to be considering promoting youth exchanges, creating a support center for women in Asia and supporting historical research as steps to express repentance over its past aggression.

Plans to set up a nongovernmental fund to accept donations from individuals and groups to compensate former comfort women have also been reported.

Historians estimate about 100,000 to 200,000 women, mostly from the Korean peninsula, were sent to frontline brothels during World War II to provide sexual services to Japanese soldiers.

Groups representing the comfort women oppose the scheme, saying they want individual compensation.

Japan has taken the position that the issue of official reparations was resolved in the San Francisco peace treaty in September 1951.

### Igarashi: Postwar Reparations 'Insufficient'

*OW2208145794 Tokyo SANKEI SHIMBUN in Japanese 19 Aug 94 Morning Edition p 2*

[Text] Commenting on the handling by successive governments of the issue of Japan's postwar settlement, Chief Cabinet Secretary Kozo Igarashi stated, "Compared to what Germany has done, it is safe to say that Japan has done nothing."

He made the statement at a gathering held in Asahikawa city on 17 August to celebrate his assumption of the post of chief cabinet secretary. Speaking at the gathering, he pointed out, "Japan should think of paying compensation for the indescribable suffering and grief it caused to the people of Asian nations during the Pacific war." In this way, he indicated that the handling by successive governments of the issue of Japan's postwar settlement, including the issue of comfort women, has been insufficient. He also stressed that the Murayama government will make an aggressive effort to resolve the issue of Japan's postwar settlement.

He is believed to have cited the example of Germany, taking into account a deep-seated view within the ruling Social Democratic Party of Japan that "Japan needs to compensate individuals as many other industrialized nations, including Germany, have done in the past." His statement is taken as an indication that the Murayama government plans to study measures to compensate individuals, including the comfort women.

### Panels To Discuss Japan's Wartime Role

*OW2308140394 Tokyo KYODO in English 1037 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—The ruling coalition decided Tuesday [23 August] to set up special panels to discuss the issues of Japan's role in World War II and proposed government assistance to the victims of the atomic bombings.

The forums will be part of the three-party coalition's project to commemorate the 50th anniversary of the end of the war next year, coalition officials said.

At a policy coordinating meeting Tuesday, the three coalition partners also agreed to decide on the issue of enacting a law for aiding atomic bomb victims during the extraordinary Diet session scheduled to start on Sept. 30.

The prospects for enactment of the law, however, are not at all clear since the coalition partners are still wide apart over the issue.

While the Social Democratic Party (SDP) is seeking government money for the families of those who died in the bombings, the Liberal Democratic Party (LDP) is cautious about any financial compensation because of concerns over the effect it may have on other war victims.

The panel for discussing Japan's role in the war is expected to formulate a unified government view on Japan's actions and responsibility concerning the war.

The SDP views the move as a stepping stone for a Diet resolution on the next year's 50th anniversary of the end of the war.

The move has been prompted by a recent political gaffe by the then Environment Agency Director General Shin Sakurai, which cost him his cabinet portfolio.

Sakurai was forced to resign after his remarks that Japan did not intend to wage a war of aggression invited a storm of protest from Japan's Asian neighbors.

### DA To Halve Extra Spending for U.S. Bases

*OW2408041594 Tokyo KYODO in English 0403 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 KYODO—The Defense Agency [DA] has decided to halve additional spending to maintain U.S. military bases in Japan in the fiscal 1995 budget to 14 billion yen due to the government's austere policy on defense spending, agency sources said Wednesday.

Some additional 28 billion yen is needed for the fiscal 1995 budget as a 1991 special bilateral agreement requires Japan to shoulder all of work-related costs for the 22,000 Japanese workers in the bases by fiscal 1995, the sources said.

The agency intends to honor its commitment through an extra budget during fiscal 1995, the sources said.

Japan has provided U.S. forces stationed in Japan under the Japan-U.S. Mutual Security Treaty with subsidies since 1978. The money helps pay for goods and services, along with salaries for Japanese workers at U.S. bases and expenses for lighting and fuel.

In fiscal 1993, such subsidies paid to the U.S. military totaled 228.5 billion yen, more than half the money needed to keep U.S. forces stationed in Japan.

In drafting the budget for the next fiscal year, the government has decided to keep the maximum growth of defense spending to be requested by the end of this month at 0.9 percent over the initial fiscal 1994 budget, the lowest growth on record in such a spending request.

### DA To Include UX Plane Purchase in Budget

*OW2408082594 Tokyo MAINICHI SHIMBUN in Japanese 23 Aug 94 Morning Edition p 2*

[Text] On 22 August, the four cabinet ministers from the Foreign Ministry, the Ministry of Finance [MOF], the Defense Ministry [DA], and the Cabinet Secretariat held a meeting at the prime minister's official residence to discuss the selection of the type of multifunction aircraft "UX" (business jet) that the DA plans to purchase. They agreed to include spending for purchasing two UX airplanes in the DA's budgetary request for fiscal 1995. However, it is expected that a concrete decision on the type of UX aircraft will be shelved in the DA's budgetary request to be submitted to the MOF at the end of August.

The selection of the aircraft type comes under the DA director general's jurisdiction. However, on 12 August, some cabinet members stated at an informal cabinet meeting: "Since mass media reported a 'suspicion' that the type of aircraft 'may have been decided from the beginning,' the selection should be made carefully." In response, the "relevant cabinet ministers" held a meeting to discuss the issue. The attendants were: Deputy prime minister and concurrently Foreign Minister Yohei Kono; Finance Minister Masayoshi Takemura; Chief Cabinet Secretary Kozo Igarashi; and DA Director- General Tokuichiro Tamazawa.

DA Director General Tamazawa explained the need to purchase UX aircraft, saying: "Because the command liaison aircraft B-65, which is currently being used by the Air Self-Defense Forces, has deteriorated, we are considering the procurement of UX aircraft as a successor to the B-65 aircraft." He indicated that the DA, for its part, intends to choose U.S. Gulfstream Company's "Gulfstream IV" from the three candidate types—the U.S.-made, the French-made, and the Canadian-made ones—after considering factors such as performance. Although some cabinet members still indicated a cautious view on the purchase, the DA's plan to include spending for purchasing UX aircraft in its budgetary request was approved.

Although cabinet ministers plan to hold a meeting again to select the type of UX aircraft, "There is a possibility that the aircraft type will not be decided during the budgetary request stage," (as stated by a top DA official). For this reason, there is a large possibility that the decision will not be made until the year-end when the government is supposed to decide on the draft budget for fiscal 1995 or until after the draft budget is approved at the Diet. Each UX aircraft will cost approximately 3 billion yen. The DA intends to purchase nine units in total.

### DPRK Normalization Talks To Resume After Oct

*OW2408093794 Tokyo TOKYO SHIMBUN in Japanese 23 Aug 94 Morning Edition p 2*

[Text] Japanese officials in charge of the Japanese-North Korea normalization talks said on 22 August that the normalization talks are expected to resume after October following the conclusion of the second [as published] round of the high-level U.S.-DPRK talks scheduled to be held in Geneva beginning 23 September.

The Japanese officials also disclosed that a plan is under study to propose to North Korea the holding of preliminary talks in early September to discuss resuming the normalization talks. They also stated that they are examining when to make the proposal to North Korea, and they added that the proposal would be made in New York or in Beijing.

The Japanese officials expect the normalization talks to resume after October because of the following reasons: 1) North Korea has so far continued to refuse to reply to a proposal made by Japan for resuming the normalization talks, and North Korea is believed to be unprepared for resuming the normalization talks; 2) Japan will have to raise the issue of the DPRK's suspected nuclear weapons program during the preliminary talks, but there is the fear that North Korea will react negatively toward Japan's raising the issue, thereby again stalling the normalization talks; and 3) Progress in resolving the issue of North Korea's suspected nuclear weapons program will be a prerequisite for resuming the normalization talks, and Japan will not be able to conclude whether or not progress has been made on this issue before the end of the second round of the high-level U.S.-North Korean talks.

### Russian Expert Details Power Struggle in DPRK

*OW2408024594 Tokyo KYODO in English 0215 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 KYODO—A power struggle has been going on in North Korea over who will succeed the late President Kim Il-song and the present North Korean government will eventually collapse, a Russian expert said Tuesday [24 August].

Yevgeniy Bazhanov, deputy head of the Russian Foreign Ministry's Foreign Affairs Academy, said in Tokyo his prediction is based partly on information from Korean residents in Russia.

As to why there has been no official announcement on the expected appointment of Kim Chong-il, son of the late president and heir apparent, as general secretary of the Workers Party of Korea and president, Bazhanov said there are forces opposed to Kim Chong-il's policies and who personally dislike him.

Kim Chong-il is negative to reform policies, he said.

No official announcement about a successor has been made six weeks after Kim Il-song died of heart failure on July 8.

South Korea's YONHAP NEWS AGENCY reported Tuesday that a large number of leaflets calling for the ouster of Kim Chong-il were distributed late Friday night and early Saturday in a Pyongyang area where foreign embassies are located.

Pyongyang's Korean Central Broadcasting Station said Sunday in a commentary, "a historical lesson is that if we fail to resolve forthwith the issue of the successor who would take over the revolutionary tasks initiated by the great leader, the party and revolution would be made a mockery of by the traitorous acts of ambitious people and conspirators."

Analysts said the commentary indicates there is opposition to the transfer of power to Kim Chong-il.

Bazhanov said North Korea will be forced to adopt reform policies if Kim Chong-il assumes the two top political posts.

He cited the existence of reformists in the government, pent-up popular dissatisfaction, pressure from foreign countries, including China, urging reform, and a severe economic crisis in the country.

He predicted the Pyongyang government will collapse whichever course it takes, in the same way as in former communist countries in Eastern Europe.

## NHK Visits Chinese Border Town Near DPRK

*OW2008060994 Tokyo NHK General Television Network in Japanese 1043 GMT 19 Aug 94*

[Tetsuro Ogi video report; from "NHK News" program]

[Text] Many people of DPRK descent live in China's northeastern autonomous district along the DPRK border. This region had flourished from border trade with North Korea. But with the DPRK economy in a doldrums following the death of President Kim Il- song, the border trade has declined dramatically. NHK has obtained footage of a Chinese town on this border.

[Begin Tetsuro Ogi video recording recording] This is the Tumen Jiang River which runs along the border between China and the DPRK. The Chinese city of Tumen is connected by a bridge to the DPRK city of Namyang [as heard]. The bridge is painted blue and red. The blue side belongs to the DPRK and the red side to China. Until recently, Chinese and North Koreans were able to travel freely between Tumen and Namyang without a passport. But the border was close on 9 July after the death of DPRK President Kim Il-song. It was reopened on 22 July or three days after his funeral.

Tumen has a population of 138,000, half of whom are of Korean origin. Since China begun its reform an opening up policies, the city has flourished from border trade with the DPRK. North Koreans come daily to the free market, bringing various goods, including dried pollack. In exchange, they buy Chinese sewing machines, black-and-white television sets, electronic appliances, and cosmetics. Since early this year, however, this cross-border trade dropped significantly as the DPRK economy became stagnant. Chinese statics show that in the first five months of this year the border trade was reduced by 50 percent from the same period last year. The free market is almost deserted.

[Unidentified female speaking in Chinese with Japanese subtitles; processed from the Japanese] There are fewer people from North Korea. There is not much business to be done.

[Second unidentified female speaking in Chinese with Japanese subtitles; processed from the Japanese] In the past, Chinese people were allowed to enter North Korea freely. But now, Chinese people are only allowed to cross the border twice in their lives.

[Ogi] The Yamyang Autonomous Region, with Chinese of Korean origin, is rapidly strengthening its ties with South Korea rather than North Korea where the economy is in a doldrums. The city is filled with goods made in South Korea. Seventy-seven percent of the 485 joint venture companies in the city have been set up by South Korean firms. Many South Korean tourists use motor boars on the Tumen River. A boat ride along the DPRK side is popular among the South Koreans. Stability on the Korean Peninsula is indispensable to the prosperity of the Yamyang Autonomous Region for Chinese of Korean origin. People are anxiously waiting to see if the Korean Peninsula situation will move toward stability. [end recording]

## Tours by Japanese to DPRK Resume After 15 Months

*OW2208125494 Tokyo KYODO in English 1214 GMT 22 Aug 94*

[Text] Narita, Japan, Aug. 22 KYODO—A group of 32 tourists and two escorts departed Narita airport for North Korea on Monday [22 August], ending a 15-month hiatus on Japanese tourism to the reclusive communist nation.

According to Chugai Travel Co., the Tokyo-based travel agency that arranged Monday's tour, the last trip to North Korea was in May 1993 before Pyongyang announced in June it would cease issuing tourist visas.

Pyongyang announced this May that it would resume issuing tourist visas, and despite the delay resulting from the death of North Korean President Kim Il-song in July, the visas were delivered on schedule.

It was the third time North Korea ceased delivering visas since the agency started handling such tours in October 1987.

The agency is planning two tours to North Korea in August with a third tour scheduled to depart from Nagoya this fall.

Monday's group is traveling to North Korea via Beijing and is scheduled to return to Japan on Aug. 28.

### Draft of APEC Investment Agreement Previewed

*OW2308143594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Aug 94 Morning Edition p 1*

[Unattributed article]

[Text] Singapore, 20 Aug—The contents of a draft gentlemen's agreement on foreign investment, that will be signed by member nations and regions of the Asia-Pacific Economic Cooperation (APEC) group, came to light on 20 August. The draft agreement confirms a wide range of principles under which signatories to the agreement should compensate foreign investors if and when they nationalize their investments, foreign investors should not be discriminated against for their nationality, and the free migration of people should be ensured. The draft agreement does not make it mandatory for APEC member nations and regions to adopt those principles, but sets a direction of relaxing their regulations on foreign investment. The draft gentlemen's agreement has a provision calling for the disclosure of existing regulations on foreign investment that differ among the APEC member nations and regions. The Trade and Investment Committee and an APEC working-level meeting scheduled to be held in mid-September will finalize details of the draft agreement and APEC ministerial talks to be held in November will adopt a final draft of the agreement.

The gentlemen's agreement, called the APEC Investment Principle (tentative name), consists of 12 provisions that provide for "measures to encourage foreign investment," "regulations by member nations and regions on foreign investment," the "stay and entry of foreign business representative office staff," the "handling of investment disputes," the "responsibility of foreign investors," and the "abolishment of regulations on capital flow."

The gentlemen's agreement aims to make the investment environment in the Asia-Pacific region more attractive than ever. It also aims to reinvigorate direct investments by foreign corporations in the region and bring about a sustained growth and expand employment in the region.

Some developing countries, including China, have yet to disclose their regulations on foreign investment and the enforcement of such regulations differs from country to country in the region. The draft agreement attaches the greatest importance to the "disclosure of those regulations." The draft agreement also calls on APEC member nations and regions to work to disclose their regulations on foreign investment and have foreign investors fully understand those regulations.

### Increased Investment in Palestine Requested

*OW2308140194 Tokyo KYODO in English 1050 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—Palestinian Economic and Trade Minister Ahmad Quray' called on Japan on Tuesday [23 August] to increase its economic assistance for Palestinian self-rule and to invest in Palestine.

Quray', also well-known as Abu Ala [name as received], told a press conference at the National Press Club that he has asked Japanese Government officials to extend Japan's two-year aid pledge to five years to cover the whole transition period.

Japan pledged last October to provide 200 million dollars in aid over two years to finance reconstruction of the West Bank town of Jericho and the Gaza Strip following the historic peace accord between Israel and the Palestine Liberation Organization (PLO) last September.

Quray' called for increased Japanese assistance, saying the Palestinian authorities are facing "serious challenges" such as maintaining the momentum of the peace process and economic development.

The Japanese officials' response was good, he said, adding that he believes "there will be very good results."

Quray', 56, was a leading figure in the secret negotiations between the PLO and Israel in Norway prior to the accord.

At the news conference, Quray' indirectly called for Japanese assistance for covering the costs of the Palestinian police despite constitutional restraints many countries have in providing aid as salaries to police.

"The Palestinian police is a peacekeeping police. It is not military forces," he said. "Therefore, I believe that support for the police is a real support for the peace process. This is one of the problems we are facing."

Quray' also said implementing various projects to create employment opportunities is important because the unemployment rate in Palestine is the highest in the world at 54 percent.

He invited the Japanese private sector to invest in Palestine, saying he believes there are "good opportunities" for Japanese industries and businessmen to invest there.

Quray' dismissed suggestions that the Palestinian authorities are dissatisfied with donor countries over aid.

The problem lies between the usual international procedures the donor countries must take in extending aid and the "very bad need" for aid by Palestinians, he said.

He called for the "direct" disbursement of aid by donor countries to Palestinian institutions instead of through United Nations organizations.

"We're not against United Nations organizations...but now we have our own institutions and we want to deal with the international community directly," he said.

Japan has accepted the idea that part of Japan's aid to Palestinians, which has been disbursed through UN organs, will go directly to Palestinian institutions, he said.

## Coalition Team To Assess Possible Aid to Rwanda

*OW2308141494 Tokyo KYODO in English 1023 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—The three governing coalition parties decided Tuesday [23 August] to dispatch a fact-finding mission to Rwanda to investigate possible contributions Japan can make to alleviate the plight of Rwandan refugees, coalition officials said.

The five-member group will leave Sept. 4 to visit refugee camps near the Rwanda-Zaire border.

They will look at contributions to the United Nations peacekeeping effort in the region by various countries for possible efforts to be incorporated into the Japanese Self-Defense Forces' assistance to the refugees.

The mission will include Yoshinori Ono and Gen Nakatani of the Liberal Democratic Party, Sukio Iwatare and Masanori Goto of the Social Democratic Party, and Yuichi Takami of New Party Sakigake (Harbinger).

## Tokyo To Aid Fight Against Population Issues

*OW2008095594 Tokyo KYODO in English 0901 GMT 20 Aug 94*

[Text] Tokyo, Aug. 20 KYODO—Japan will provide experts and medical goods to developing nations to help those countries control their explosive growth in population, Foreign Ministry officials said Saturday [20 August].

The officials said the assistance will be offered to the Philippines, Laos, Bangladesh and Tanzania in fiscal 1994. The aid includes dispatching overseas cooperation personnel and doctors, nurses and family planning experts as well as providing contraceptives and necessary equipment worth about 10 million yen a year, the officials said.

They said Japan has so far provided similar assistance to eight nations, including Indonesia and Thailand. Japan's cooperation is primarily designed to boost self-help efforts in the recipient countries, the officials said.

## Aid to Cambodia: $50,000 in Disaster Relief

*OW2308060894 Tokyo KYODO in English 0533 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—Japan will give Cambodia 50,000 dollars to help rehabilitate parts of the war-torn country hit hard by recent floods, the government said Tuesday [23 August].

The emergency aid was authorized at a cabinet meeting earlier in the day, officials said.

## MITI To Improve Loan System for Foreign Firms

*OW2308122794 Tokyo NIHON KEIZAI SHIMBUN in Japanese 18 Aug 94 Morning Edition p 7*

[Text] The Ministry of International Trade and Industry [MITI] has begun considering the possibility of improving the current system of extending loans to foreign firms in Japan. Planned improvements under consideration include: 1) extending application of the current system of approving loans to cover deposit charges required when foreign firms rent space in new buildings for offices and other purposes to cases when such firms rent space in buildings that already exist; and 2) classifying international schools to which children of foreign businessmen commute as part of facilities that are directly related to daily living and extend low-interest loans to such schools. MITI has already started making arrangements with the Education Ministry to extend low-interest loans to international schools, and as soon as the arrangements are made, MITI plans to ask the Finance Ministry for allocations as part of the treasury investment and loan program for fiscal year 1995.

MITI plans to expand the loan program to cover rental deposits in response to rising costs, among other things, mainly in metropolitan areas. The program to approve loans to cover deposits required when foreign firms rent new office space was approved under the comprehensive economic stimulus package compiled in April 1993. Since the program is to expire at the end of fiscal year 1994, MITI plans to ask the Finance Ministry to extend the program and, at the same time, expand it to apply to cases when foreign firms rent office space in existing buildings for which relatively inexpensive deposits are required.

MITI plans to extend low-interest loans to international schools by utilizing funds that the Japan Development Bank and the Hokkaido-Tohoku Development Finance Corporation have set aside for improving living conditions. MITI is currently making arrangements with the Education Ministry regarding requirements that international schools must meet to receive such loans. The program will be considered as part of measures to assist the families of foreign businessmen.

## Imports, Exports of Electrical Appliances Detailed

*OW2308141194 Tokyo KYODO in English 1116 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—Japan imported five times more home electric appliances in 1993 than in 1985, while exports were halved, the Tokyo customs house said Tuesday [23 August].

It said exports of electric appliances totaled 2,527.0 billion yen in 1993, compared with 4,887.4 billion yen in the peak of 1985.

The exports accounted for 6.3 percent of the nation's total exports in 1993, down from 11.6 percent in 1985.

Imports of such products, on the other hand, totaled 393.8 billion yen in 1993, about fivefold the 82.4 billion yen posted in 1985, the customs house said.

Products made in Japan weakened in price competition due to the yen's appreciation, while similar products made in other Asian nations gained strength, backed by relatively low production costs, it said.

Imports were also boosted by the fact that many Japanese makers increased shipments from their overseas plants to home, it said.

Exports to the United States fell in particular, with those in 1993 totaling 775.9 billion yen, about one-third of those in 1985.

Imports from other Asian nations grew notably, increasing 5.8 times from 1985 to 289.0 billion yen in 1993, the customs house said, adding that imports from the Association of Southeast Asian Nations increased 27 times over those in 1985, and from China 38 times during the period.

## MCA Deadlocked on Deregulation Proposals

*OW2308120794 Tokyo YOMIURI SHIMBUN in Japanese 22 Aug 94 Morning Edition p 2*

[Text] The Management and Coordination Agency [MCA] will soon start the process of preparing a "plan for promotion of easing regulations" (tentative name) before the end of this fiscal year. However, since more than 600 proposals for easing government regulations have been launched in less than one year, or since last fall, the agency is not certain how many new proposals will be incorporated in the plan.

A senior MCA official enthusiastically explained the agency's willingness to map out the five-year plan, saying: "We have to make those measures visible to the people, including resolving price differences between Japan and other countries and the improvement of living standards." Another MCA official said: "Some ministries believe they have done enough and it is hard to get them to submit more deregulations proposals."

The need for the plan is clearly stipulated in a cabinet resolution adopted on 7 July. As the third measure to ease government regulations, the cabinet resolution calls for "future promotion of deregulation" and urges government ministries and agencies to review their regulations. The MCA will incorporate three interim reports on deregulation measures, which have been introduced since last fall, into the final deregulation program. The same ministry also plans to clarify deregulation measures whose implementation periods are not clearly defined.

Moreover, some people think that pressure from foreign countries, including the United States and the European Union (EU), forced the agency to incorporate more deregulation measures. This spring, the United States and the EU informally expressed their demands about which regulations should be eased. Since then, the government has conferred with ministries about the demands. Regarding deregulation measures that have already been dealt with, however, MCA officials expressed their negative views one after another. One official said: "It is impossible to adopt those demands since Japan has rejected all of them at previous meetings."

The MCA explains its intention saying that the five-year program is a "comprehensive plan for deregulation and we want to do it on a large scale." However, other ministries apparently are reluctant to cooperate with the MCA. One official said: "All we can do is visit all ministries and agencies to talk to responsible officials there."

## Restrictions on Venture Capital Companies Eased

*OW2308094494 Tokyo KYODO in English 0822 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—The Fair Trade Commission (FTC) said Tuesday [23 August] it has eased rules that restrict activity of venture capitals as a way to support promising venture-oriented companies and promote new business in Japan.

An FTC official said the commission will "flexibly" enforce Article 9 of the Antimonopoly Law that would pave the way for venture capitals to acquire outstanding shares of companies.

At present, venture capitals are only allowed to get new share issues of a firm at a maximum stockholding ratio of 49 percent, under the FTC's 1972 guidelines enforcing the article in question.

Under the new rules, venture capitals, investment companies intended to foster small firms with growth potential through fund injection, will also be able to send their officials to venture companies.

Article 9 of the Antimonopoly Law bans establishment of a holding company in Japan based on the judgment that such a company will lead to excessive control of firms through shareholding.

Under the new guidelines, venture capitals would be judged as violating the article if their operations are found questionable under two antimonopoly standards simultaneously.

The first standard involves the ratio of shares of a venture company owned by a venture capital against total outstanding shares of the venture firm.

If the stockholding ratio is 10 percent or less, the venture company would not be considered as controlled by the venture capital, the FTC said.

If the ratio is over 50 percent, the venture firm is defined as under control of the venture capital.

When the ratio is over 10 percent but under 50 percent or less, the venture capital's influence on the venture firm would be compared with that of other venture capitals, the FTC said.

A venture capital that is judged as controlling a certain venture company under the first standard will be subject to judgment under the second standard, which checks if the venture capital is regarded as a holding company.

A yardstick to be used under the second standard is the ratio of the aggregate value of the controlled company's shares owned by the venture capital against total assets of the venture capital.

If the ratio is over 50 percent, the venture capital is seen as a holding company but it would not be seen as such if the ratio is 25 percent or less.

With a ratio of over 25 percent but under 50 percent or less, the venture capital would be regarded as a holding company if the capital has no main business activity other than lending, share acquisition and other investment-related activities.

In the new guidelines, the FTC dropped a clause prohibiting dispatch of officials from venture capitals to invested venture companies.

The FTC official said the dropping of the clause can be taken as acceptance of such practice.

The flexible enforcement of the Antimonopoly Law is in line with proposals made in the government's economic stimulus package released in February and comprehensive deregulatory measures announced in July, the official said.

In Japan, creation of new business is being urged in various sectors as a way to cope with the rapid hollowing out of industries amid the changing business environment.

Banks, severely burned after the bursting of the easy-money "bubble" economy of the late 1980s, are now reluctant to increase loans to high-risk operations such as those by venture companies.

In Japan, there are about 120 venture capitals, but their activity has been slow due to strict rules and regulations on investment, among them those banning a holding company.

## FTC To Abolish Insurance Rate Cartel

*OW2308143294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 17 Aug 94 Morning Edition p 1*

[Text] In the near future, the Fair Trade Commission [FTC] plans to ask the Ministry of Finance [MOF] to abolish in principle the cartel system for setting nonlife insurance premium rates, which are not subject to the Antimonopoly Law, and to liberalize insurance premiums. Noninsurance companies determine insurance premiums for their fire and other insurance policies on the basis of rates calculated by the Council for Calculating Premium Rate [ryoritsu santei kai]. However, the FTC wants to revise this practice by allowing each company to set insurance premiums on its own and thereby stimulate competition among insurance companies to lower insurance premiums. The FTC will also ask the MOF to abolish the current system in which insurance companies have to obtain government approval to set new insurance premiums, and to introduce instead a system designed to allow insurance companies to use new premium rates by simply reporting them to the government. As a part of its insurance system reform, the MOF plans to approve the flexible setting of insurance premiums. However, the same ministry has not thought about taking action as far as abolishing the cartel system.

Insurance premium rates for major nonlife insurance policies, including fire insurance, are calculated by the council on the basis of insurance money paid and office expenses. They are subject to MOF approval. The council's member companies simply use approved premium rates without individually obtaining MOF approval. Each insurance company determines insurance premiums by multiplying a premium rate to the insurance amount. Since calculations of premium rates are difficult, the cartel for setting premium rates is exempted from application of the Antimonopoly Law.

The FTC plans to work on the MOF to abolish the system of setting premium rates at this opportune moment of reforming the insurance system. The MOF is explaining its view of promoting the process of revising insurance business and other relevant laws. The situation is delicate as to how much the FTC's demands will be reflected in the reform.

## Survey Notes Improved Business Practices

*OW2308135194 Tokyo TOKYO SHIMBUN in Japanese 20 Aug 94 Morning Edition p 3*

[Text] Japan's exclusionary business practices in four industrial sectors—automobiles, auto parts, sheet glass, and paper—"steadily improved with sincere responses by concerned companies," the Fair Trade Commission [FTC] said in a survey report released on 19 August.

The FTC survey was conducted as a follow-up of a January 1992 Japan-U.S. agreement, when Japan pledged to redress problems in business practices in the four industrial sectors. In the last survey in June 1993, the FTC noted no clear violation of the Antimonopoly Law was observed in the four sectors but there were some obstacles to fair competition in such practices as rebates to special sole agents.

After a year, the FTC worked out another evaluation to reexamine practices of the four sectors. As a result, the FTC said improvements were observed in rebate and discount practices, and "the industries overcame problems noted in the 1993 report" (as noted by the FTC Research Division). The following are major improvements in the four industrial sectors:

#### Sheet Glass

1) Rebates to special sole agents have been abolished.
2) Manufacturers notified dealers in written form that dealing with rival makers is allowed.
3) Post-sales discounts have been abolished.

#### Automobiles

1) Manufacturers notified dealers in written form that dealing with rival makers is allowed.
2) Sales rebates to dealers are limited to fewer models, shorter periods, and smaller amounts.

#### Auto Parts

1) Manufacturers dropped restrictions on selling approved parts to other companies.
2) Primary wholesalers cut prices and rebates for "genuine parts" sold to secondary wholesalers.

#### Paper

1) Manufacturers abolished post-sales discounts in response to price changes.

### Diet Session of at Least Two Months Expected

*OW2308140294 Tokyo KYODO in English 0946 GMT 23 Aug 94*

[Text] Nagoya, Aug. 23 KYODO—An extraordinary Diet session this fall should last two months or longer, the No. 2 official of the Liberal Democratic Party (LDP), the largest component in the three-party coalition government, said Tuesday [23 August].

LDP Secretary General Yoshiro Mori told a press conference in Nagoya, "I think, whatever happens, it will need at least 60 days."

The heads of the three ruling coalition parties reached an accord Monday to convene an extraordinary Diet session on Sept. 30 for about two months to discuss a new electoral map for the House of Representatives.

The debates on the electoral map will not take much time, but the Diet may need time to discuss a bill on revising the public offices election law, currently under preparation by the LDP to prevent corruption, Mori said.

According to coalition sources, ratification of the agreement on the Uruguay Round trade negotiations under the General Agreement on Tariffs and Trade (GATT) will also be on the agenda of the Diet session.

The Diet will also have to discuss legislation and revision of laws needed in response to the trade agreement, as well as tax reform and revision of the pension law.

### Basic Principles of New Party Drafted

*OW2308125194 Tokyo KYODO in English 1206 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—A panel of officials from nine opposition parties and groups has drafted the basic principles for a new party they intend to forge, opposition sources said Tuesday [23 August].

The panel was formed last week to discuss what common principles the opposition parties and groups share before they merge into a new party in an effort to wrest power from the current coalition government.

Among other things, the draft provides that Japan should seek to become a permanent member of the United Nations Security Council and actively participate in UN activities, the sources said.

The idea contrasts with the cautious stand on the matter by the current coalition government led by Prime Minister Tomiichi Murayama.

Other principles include administrative reform, deregulation and the simplification and streamlining of government.

The panel will discuss the draft on Wednesday and next Monday, and officially decide on the basic principles on Sept. 5, the sources said.

Concrete policies of the new party will be discussed from Sept. 5, they said.

The nine parties and groups, which exclude the Japanese Communist Party, are Shinseito [Japan Renewal Party], Komeito [Clean Government Party], the Japan New Party, the Democratic Socialist Party, the Liberal Party, New Party Mirai, the Democratic Reform Party, the former Kaikaku No Kai, and Koshikai.

Policy-makers from each of the nine comprise the panel led by former Health and Welfare Minister Yuji Tsushima of Koshikai.

Former Prime Minister Tsutomu Hata, head of Shinseito, has said the new party should come into being at the end of September as earlier proposed.

The new party scheme has been the top priority among the opposition groups since the former ruling coalition led by Hata lost power at the end of June to the surprise alliance among the Liberal Democratic Party, the Social Democratic Party and New Party Sakigake [Harbinger].

The opposition's primary strategist Ichiro Ozawa, cofounder of Shinseito, has been the most vocal proponent of the plan.

## Reports Reflecting Japan's Economic Situation

### Industrial Output Increasing

*OW2308074494 Tokyo KYODO in English 0652 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—Japan's industrial production and shipment in the April-June period grew from the previous quarter, marking the second consecutive quarterly increase for the first time under the current economic slump, the Ministry of International Trade and Industry (MITI) said Tuesday [23 August].

The seasonally adjusted production for the mining and manufacturing sectors rose 1.0 percent in the reporting month after a 1.5 percent gain in the January-March period, while shipment increased 0.7 percent following a 1.9 percent gain in the previous quarter, MITI said.

Harumi Takahashi, chief of MITI's Statistics Analysis Division, said Japan's industrial output has been rising gradually with a broad range of industrial goods showing a steady production increase in the April-June quarter.

Such products as steel, ceramics and electric machines had particularly large growth, she said.

Of the shipment, foreign-bound items rose markedly but domestic- bound ones were slack, Takahashi said.

MITI said inventories decreased 0.3 percent in the second quarter, registering the third running quarter of declines.

As a result, the inventory index fell to 104.8 against the base 100 for 1990, equaling the level seen during January-March of 1991.

But that does not mean inventory adjustment by Japanese corporations came to a complete end, Takahashi said, noting corporate managers must feel excess inventory even now.

MITI said domestic shipments of consumer goods dropped 3.5 percent during the reporting quarter.

Takahashi said that demand for such goods is rising but much of it is for imports.

Domestic shipments of such goods will show ups and downs for the time being, she said.

Business confidence among corporate managers has stopped deteriorating as indicated in the latest Bank of Japan quarterly report but firms' capital spending has yet to pull out of the doldrums, Takahashi said.

The slack plant and equipment investment is expected to put downward pressure on domestic shipments of capital goods, Takahashi said.

Japan's economy as a whole has been showing brighter signs in some sectors, such as personal spending, she said.

But she added there remains uncertainty about the future course of final demand.

In the July-September third quarter, Japan's industrial output is likely to turn lower, Takahashi said.

MITI has no evidence to justify reversing the forecast, she said.

### Cross Shareholding by Banks Slows

*OW2308024294 Tokyo KYODO in English 0201 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—Stock sales by Japan's 21 major banks exceeded their stock purchases by 47.7 billion yen during the business year ended in March, and the practice of cross-shareholding may be in decline, a major daily said Tuesday [23 August], quoting a survey by a private think tank.

The banks sold stocks to offset their losses from the huge amount of bad loans they made to real estate developers during the 1980's asset-inflated "bubble economy," the YOMIURI SHIMBUN said, reporting a survey by the Nomura Research Institute, affiliated to Nomura Securities Co.

Bad loans are those made to companies that are now bankrupt, or those on which interest has not been paid for at least six months.

The daily also said an increasing number of companies, such as manufacturers, are selling the bank shares they hold.

These phenomena are expected to force Japanese companies to reexamine their traditional strategy of "cross-shareholding," in which they mutually hold shares of their business partners or firms belonging to the same corporate group, the paper said.

The paper quoted Nomura's survey as saying that among the 21 major banks, stock sales by seven trust banks exceeded stock purchases by 75.2 billion yen, while at three long-term credit banks the sales surplus amounted to 38.3 billion yen.

Stock purchases by 11 "city" banks topped sales by 65.8 billion yen, including Daiwa Bank's purchase of 78 billion yen's worth of Cosmo Securities Co. shares, making Cosmo a subsidiary.

Excluding this purchase by Daiwa, however, the "city" banks' stock sales also exceeded their stock purchases, the YOMIURI said.

### Record Low Bonuses Paid

*OW2208134394 Tokyo KYODO in English 1138 GMT 22 Aug 94*

[Text] Tokyo, Aug. 22 KYODO—Bonuses paid by leading Japanese companies to employees this summer fell to the lowest growth rate on record, reflecting the poor state of corporate earnings during the prolonged business slump, the Labor Ministry reported Monday [22 August].

Major Japanese companies paid employees an average of 749,982 yen in summer bonuses this year, down 0.24 percent from 751,793 yen last summer, a Labor Ministry survey showed.

The weighted average of bonus growth rates for each company was minus 1.1 percent, the lowest reading since record keeping was started in 1965, the ministry said.

The survey covered 297 companies listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange and capitalized at 2 billion yen or higher with a workforce of 1,000 or more.

The growth rates of summer bonuses were high among securities companies at 13.1 percent, and among land transportation service companies at 4.2 percent, while low among construction companies at minus 12.0 percent, and steelmakers at minus 10.4 percent.

The leading construction firms, however, paid the highest bonuses with an average of 1,470,634 yen, followed by newspaper and printing companies with 901,628 yen.

In contrast, steel manufacturers paid the lowest bonuses with an average of 604,369 yen, the ministry said.

### Wholesale, Retail Sales Falling

*OW2408063294 Tokyo KYODO in English 0623 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 KYODO—Sales by Japan's wholesale and retail enterprises kept falling but the pace decline slowed in the April-June quarter, the Ministry of International Trade and Industry (MITI) said Wednesday [24 August].

Sales for the reporting quarter totaled 158,805 billion yen, down 1.0 percent from a year before for the 10th consecutive quarter of decline year-on-year.

The downward margin compares with a 1.5 percent fall in the January-March quarter and shows a slowdown in the pace of decline for the fourth quarter in a row, MITI said.

Sales of wholesalers dipped 0.6 percent to 125,739 billion yen, slipping for the 10th quarter in a row.

The margin of decline was down from a 1.5 percent drop in the first quarter, with the pace of decline slowing for the fourth quarter running.

Some wholesale sectors like machinery equipment showed a pickup but the wholesale industry overall was slack during the second quarter, MITI officials said.

This reflected falling product materials prices due to the strong yen in addition to slumping plant and equipment investment and sluggish personal spending, they said.

Sales by retailers for the second quarter decreased 2.4 percent to 33,066 billion yen, falling below year-before levels for the ninth quarter in a row.

Consumers were cautious about spending because of the continued uncertainty about the Japanese economy and they continued hunting for bargain prices, the officials offered as an explanation for declining retail sales.

### Economic Index Stays at 50 Percent

*OW2308054194 Tokyo KYODO in English 0513 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 KYODO—A closely watched economic index retained the "boom-or-bust" threshold of 50 percent for four months in a row in June, the Economic Planning Agency reported Tuesday [23 August].

The coincident indicator, which shows the current state of the economy, stood at a preliminary 50.0 percent in June following a preliminary 60.0 percent in may and a preliminary 60.0 percent in April.

The leading index, which forecasts economic conditions three to six months ahead of time, came to a preliminary 54.5 percent, staying above the 50.0 percent line for the sixth straight month.

### * MOF's 'Haughty Dictatorship' Criticized

*942B0154A Tokyo GENDAI in Japanese Aug 94 pp 44-57*

[Article by Hirotoshi Ito and Shinichiro Suda, journalists: "Behind the Scenes of 'Tax-Hike Fascism' That Lead Politicians, Bureaucrats, and Business Communities by the Nose"]

[Text] **Contents of the "S-K Paper"**

On 9 June [1994] the Budget Committee of the lower house began a general interpellation on the fiscal 1994 budget, but it had to curtail the meeting on the first day. A stormy beginning.

Toranosuke Katayama of the Liberal Democratic Party [LDP] began asking questions in that afternoon, raising an issue on visits made in the business community late 1993 by Jiro Saito, vice minister of the Ministry of

Finance [MOF], and Hideaki Kumano, vice minister of the Ministry of International Trade and Industry [MITI]. He asked pointedly, "Didn't they make their visits to lay a groundwork for increasing consumption tax?" and "Were they instructed by the prime minister to do so?" The interpellation session was adjourned because MOF Minister Hirohisa Fujii's responses to these questions were quite ambiguous.

"Around the end of December [1993] we didn't have any idea about the future course of tax reform or consumption tax increase. But, these people, on their own decision and without consulting with the prime minister, were trying to set the mood and environment for a tax increase. This is nothing but bureaucratic obtrusion. MOF Vice Minister Saito probably convinced MITI Vice Minister Kumano to come along with him because MITI is more influential in the business circle. We cannot allow this kind of bureaucratic leadership that is contemptuous of the political process" (per Dietman Katayama).

The interpellation resumed the following day when Saito apologized by acknowledging that he made those visits to lay a groundwork for a consumption tax increase.

The friendship between Saito and Kumano is well known, and it is often referred to as the S-K line. Toward the end of 1993, the two visited four economic organizations, Reng [the National Confederation of Trade Unions], and large companies in the mass media. Here, Kumano seems to have been drawn into Saito's plan to increase consumption tax. Yet, as the official reason for their visits was to explain economic measures, Kumano did most of the talking; Saito greeted simply and delegated actual presentation to Kumano by saying, "The rest will be explained by Mr. Kumano."

In fact, Saito and Kumano made their rounds not only late last year but also early this year. There is a copy of the so-called "S-K Paper," informational materials that the two presented during their visits.

The paper is entitled "On the Future of Economic Management" and was used for presentation in the beginning of 1994. First, it draws the following three proposals as medium- to long-term agenda for the Japanese economy from the "visions for the 21st century," which was presented by the then Prime Minister Hosokawa at the beginning of 1994:

1. Building a society where the aging can be linked to vitality.
2. Creating a foundation for affluent and high-quality life.
3. Establishing a society that is full of creativity and individuality.

The following statement is inserted in a box along these proposed agenda:

"In order to achieve these long-term goals, and even after completing administrative reform and rationalization of expenditures, we will inevitably have to reform our tax system in a balanced manner, taking into consideration of the aspects of income, assets, and consumption. (Consumption tax rate: 3 percent in Japan, 18.6 percent in France, 17.5 percent in Britain, and 15 percent in Germany.)"

It is quite obvious from this that the purpose of the visits was to lay a ground work for a consumption tax increase. Naturally, Saito had to apologize.

### The Chief of the Accounting Bureau Was Marked

That MITI's Vice Minister Kumano went along with this strategy is a clear proof that the MITI has become completely subservient to the MOF.

"As the time for Japan to protect and nurture the industries ended, MITI has lost its raison d'etre. Consequently, the unfavorable side of regulations on industries has begun to be quite noticeable. Being apprehensive of this development, Yuji Tanahashi (former vice minister) devised a plan for a new social infrastructure—a project to establish a foundation for new industries. MITI wants to undertake this project, but it needs cooperation from the MOF to secure funds for it. Therefore, it has to support the MOF's plan to raise consumption tax" (per a reporter from the Press Club at MITI).

The S-K line's visits late last year were the result of the merging of intentions at the two ministries.

Incidentally, there is a case of the firing of Masahisa Naito, former chief of the MITI's Industrial Policy Bureau, by Hiroshi Kumagi, then MITI vice minister. (This case had been taken up by the Diet, and Naito was supposed to appear before a Diet committee the other day. However, as he was suddenly taken ill, he could not attend the session.) The firing created a furor in Kasumigaseki [government office district in Tokyo] because for the first time a political war influenced a personnel decision within the bureaucracy. In fact, some MOF bureaucrats were also said to be in danger of being fired along with MITI bureaucrat.

"The likely candidate for the next MOF minister is Kyosuke Shinozawa, chief of the Accounting Bureau. Reportedly, however, (Ichiro) Ozawa was trying to get him fired also along with Naito. The reason was simple—they were both anti-Shinseito and anti-Ozawa. By meddling with personnel decisions at ministries, Ozawa also attempted to strengthen his autocratic politicking" (per a well-informed individual in the financial circle).

When Ozawa was displaying his uncommon shrewdness as the LDP's secretary general, the Gulf war erupted. In cooperation with Ozawa at that time, Vice Minister Saito (the then chief of the Accounting Bureau) proposed a tax increase in the form of international contribution tax. The proposal died, but Ozawa believed that "Ryutaro Hashimoto (chairman of the LDP's Policy Affairs Research Council) and Shinozawa killed the proposal" (per the well-informed individual quoted earlier). Ever since then, Ozawa has avoided Shinozawa while he became increasingly closer to Saito.

After saying that if "the story is true," a former MOF official asserts that Ozawa doesn't understand the MOF:

"To protect their organization, MOF officials never neglect to hedge against risks. Around the time when the Gulf war erupted, the so-called Ichi-Ryu [Ichiro Ozawa and Ryutaro Hashimoto] war was also intensifying. Naturally, Ozawa became closer to Saito, and Hashimoto to Shinozawa. All this went beyond the level of personal likes and dislikes."

Probably because the protective hedging was successful, Shinozawa was not fired as Naito was—Saito came forward and stopped Ozawa from firing Shinozawa.

With its control over budget, the MOF reigns over other ministries and agencies, and at the same time, it unites its members to protect itself. The powerful ministry becomes stronger and stronger.

In addition, the MOF has another source of strength that is not shared by other ministries and agencies. That is national taxation.

"Every politician has some sore spot in his financial affairs that he doesn't want to be scrutinized. An MOF official may assume a humble position toward a politician, but once he mentions a tax aspect of the politician's sore spot by saying, "By the way, regarding the case of such and such transaction," he can put the politician immediately into a humble position. The MOF, therefore, has a power to control politicians" (per a local-news reporter who had experience covering the National Tax Administration Agency).

These strengths encourage MOF officials to act arbitrarily on their own authority as in the case of the consumption tax increase.

### Who Are To Be Blamed for the "Absence of Economic Measures"?

The Japan-U.S. summit meeting in February [1994] failed to produce an agreement in the economic framework talks. Former Prime Minister Hosokawa described this as a "relationship between mature adults." In reality, however, it was a breakdown in negotiation.

Iwao Nakatani, professor at Hitotsubashi University, says that one of the factors for this breakdown was the MOF's obstinate idea of sound finance.

"At that time, President Clinton reportedly expressed his dissatisfaction over a clause stipulated in the Japanese Government's comprehensive economic package was to limit the duration of the tax cut for only one year. That was a natural reaction from the economic-theory perspective because a tax cut for a year only will never stimulate the economy. Only when a tax cut is in effect for two or three years, and when its magnitude is big enough to surprise the citizens and the United States, which was demanding such a tax cut, we can expect some effects, including a psychological one.

"The reason why Mr. Hosokawa stopped short by making the tax cut last only for a year is the MOF's golden rule of 'sound finance.' The ministry officials who think only of finance, and the politicians who accept readily what these officials say—both sides are wrong, I think. It is natural that the U.S. Government didn't accept the plan."

Professor Nakatani believes it necessary to raise consumption tax to correct the balance between direct and indirect tax ratios and to provide a source of revenues lost the tax cut. Moreover, he also points out the fixed mindedness of MOF officials, who set their priority on sound finance, putting off such policy measures as an economic stimulus package.

He says, "It's wrong to think only of finance when the economy is in bad shape. The economy should be revived first, and then the issue of finance can be dealt with because it is all right to balance the national finance on a long-term basis."

Although Vice Minister Saito acknowledged the need for an economic stimulus package with a large-scale tax cut, he insisted on combining a tax cut and a tax increase as one package. As a result, implementation of the tax cut was delayed, and the recession was prolonged. The MOF officials' stubborn adherence to the idea of sound finance led to the failure of Japan-U.S. negotiations. It resulted in the "absence of economic measures," prolonging the recession.

### An All-Out Effort To Bring in the SDPJ

It is the role of politicians to reject bureaucratic intentions from a comprehensive, long-term viewpoint. However, today's politicians cannot persuade the MOF to deviate from its adherence to sound finance, which has become like a constitution within the ministry. Reportedly, former Prime Minister Hosokawa expressed his dissatisfaction over the failures of the national welfare tax plan and the Japan-U.S. summit meeting. He said, "I tried to use the MOF's power, but I was used instead." By not being able to control the bureaucrats, he simply showed his lack of ability.

During the recent debate over tax reform, the MOF tried hard to bring in politicians to its side so as to protect its "logic." Cooperating with influential Ozawa, Saito tried to get to the center of politics by involving Hosokawa. Once the national welfare tax plan came to a standstill, the MOF readily went hiding. There, it made an all-out effort to bring in the Social Democratic Party of Japan [SDPJ].

Right before the SDPJ was about to leave the coalition government, there was an incident that symbolized the MOF's effort to sever the SDPJ from the government. Noboru Imai (member of the upper house from the

SDPJ), vice chairman of the Subcommittee on Welfare of the coalition parties' Tax Committee, said at a committee meeting as follows:

"In the future, it is inevitable to raise the consumption tax rate to more than 10 percent."

Later, Imai resigned from the vice chairmanship, but he hasn't changed his position on consumption tax:

"I used to work in the medical field (as head of a hospital), and I have always been looking for a great welfare society. To this end, I believe it is necessary to raise consumption tax. I have no qualms about the current debate."

According to Imai, even if the consumption tax increase is the MOF's strategy to find a source of revenues lost to the tax cut, as long as the politicians see through this strategy and check the figures presented by the bureaucrats, there will be no problems. However, the SDPJ has no ability to engage in theoretical discussion with the MOF, a group of exceptionally capable professionals.

Although Imai says that his opinion on consumption tax was not necessarily formed after being "explained" by MOF bureaucrats, he admits the persuasiveness of these bureaucrats:

"At least once a week, someone from the government came here to explain things. First, the deputy chief and an accounting officer from the Accounting Bureau came here together. Then, after that, the accounting officer came here alone. To be sure, they really have plenty of data and are quite persuasive."

After all, however, their data and arguments are part of their tactics. It is easy to compile convenient data from a wealth of materials. Isn't it a politicians' job to reexamine the strategy of a tax increase itself?

### Saito's Rock-Solid "Shift Toward a Tax Increase"

The Rengo [National Confederation of Trade Unions]—the SDPJ's primary support group—was also drawn in eventually to the MOF's scenario. At the 16th meeting of its Central Committee, it affirmed a "Basic Outline for Tax Reform," emphasizing the importance of indirect taxes for the aging society. The outline accepts a consumption tax increase with a condition that it is an indirect tax for welfare funds.

Koichi Nakagawa, chief of Rengo Comprehensive Policy Bureau, explains about the process taken to adopt the outline as follows:

"It is not that we lost to the MOF's tactics of persuasion. The MOF's high-handed manner appeared too onerous at the time of forming the national welfare tax plan. Also, I'm still displeased by the way they insisted on the 7-percent rate as if it were a predetermined rate and by their fixation over sound finance. But our acceptance of the consumption tax increase is the result of our debate for over more than three years on the principles of public participation and fairness. To be sure, it was a little easier because the SDPJ was a member of the coalition government right up to the time when the outline was prepared."

Pretending to be quiet after the failure of the national welfare tax plan, the MOF employed small and big strategies flexibly to bring in the group of noisy politicians.

It was quite natural that the tax increase plan in the form of a national welfare tax was proposed suddenly one night and killed overnight. Unbeknownst to anyone and without much opposition against it, however, a consumption tax increase through tax reform has gained a firm foothold. Now, the focus of debate is on which tax rate to adopt. After all, everything is moving toward a tax increase according to the MOF's scenario.

Furthermore, the MOF had not made any compromise in its policy line. Although the rate of consumption tax and the duration of the tax cut can be changed through the political process in the future, the basic policy line—combining a tax increase and a tax cut as a single policy measure and using the consumption tax increase as a source of revenues lost to the tax cut—has never been changed ever since the S-K line's visits to the business community late last year. What changed—or what have been changed—are the public, including politicians and people in the mass media.

Although Vice Minister Jiro Saito was asked to take responsibility for the "MOF's one-man show" and the "collusive relationship between Ichiro (Ozawa) and Jiro (Saito)" because of the failure of the national welfare tax plan, it was decided that he would continue to hold his position for the second year. A vice minister normally stays in his position for one year. The case of a vice minister remaining in office for two years is the second time in six years since Yoshihiko Yoshino, the "new don of former MOF officials" and the current governor of the Bank of Japan [BOJ]. In addition, such main supporting figures as Chief Shinozawa of the Accounting Bureau, Chief Tadashi Ogawa of the Tax Bureau, and Chief Secretary Takeshi Komura also remain in their respective offices. Saito's "shift toward a tax increase" seems rock solid.

### "It Was the Accounting Bureau's Idea"

The MOF has three major functions: finance, tax, and budget preparation. The Tax Bureau establishes a theoretical ground for the tax system and collects taxes. The Accounting Bureau allocates the taxes collected according to its assessment of the requests from ministries and agencies. The MOF, therefore, controls both "inflows" and "outflows"—this is the source of its power and the reason it is being called the ministry of ministries.

These two power bases of the MOF—the Tax Bureau and the Accounting Bureau—sometimes collide against each other. Especially in the case of tax reform, the Tax Bureau is cautious about tax increases because it has to confront directly with the public. The Accounting Bureau becomes enthusiastic about tax increases because it has a hidden desire to expand its influence while maintaining sound finance without having to issue deficit-covering national bonds.

Having filled main positions within the MOF with his subordinates who have been brought up in the Accounting Bureau, Jiro Saito is considered as a very powerful vice minister. He is the leading actor who masterminded the net tax increase for the current tax reform. He worked his way up in the Accounting Bureau—from chief of the Bureau's General Affairs Division to deputy bureau chief and to bureau chief. Having studied under the tutelage of Yoshihiko Yoshino, the "new don of former MOF officials," he is a "staunch advocate for sound finance" (per a journalist specialized in finance). Joining hands with Ichiro Ozawa who approves of a consumption tax increase, he has been pushing for a tax increase. As explained later, he tried to push forward former Prime Minister Hosokawa's national welfare tax plan without much consultation with the Tax Bureau.

Dietman Hakuo Yanagisawa of the LDP, who once worked in the Second Tax Division of the Tax Bureau during his years as a bureaucrat, points out: "The current tax reform is the Accounting Bureau's idea, not the Tax Bureau's." He says this probably because of his failed effort to introduce a value-added tax system in 1976 that preceded the decision (in 1988) to introduce a consumption tax.

As the MOF considers "people outside the Accounting Bureau as non-beings" and the Bureau with its philosophy of sound finance is becoming increasingly powerful under Saito, it was quite natural for the ministry to make plans for a consumption tax increase as soon as a reduction of income tax was proposed. Furthermore, Vice Minister Saito was aiming for a tax increase well before the large-scale tax cut to stimulate the economy was implemented.

"Saito wanted to raise consumption tax for some time, but he couldn't find an opportunity to do so. Therefore, the recent tax cut provided him the best chance to propose a tax increase. The main reason the tax cut was delayed is that Saito insisted on combining it with a tax increase as one package. As a result, the recession was prolonged" (per a reporter from the Press Club at the MOF).

### Ozawa Tried To Bring in the MOF

During a press interview in the early morning of 3 February [1994], Prime Minister Hosokawa suddenly disclosed a national welfare tax plan with the following two essential points:

1. Establish a national welfare tax (a tentative name) with the tax rate of 7 percent, effective 1 April 1997.
2. Cut income and resident taxes by a combined amount of 5.3 trillion yen, beginning on 1 January 1994.

As implementation of a major tax cut had been fully debated as necessary to overcome the lingering recession, the remaining issue was how to secure a new source of funds to cover the lost revenues. Here, Hosokawa tried to achieve both the tax cut and the new source of funds by proposing a national welfare tax, which sounds like an object tax but not so.

A tax cut by itself will not be allowed....

Worrying about a possibility of issuing deficit-covering national bonds to cover the tax cut, Vice Minister Saito feared if the unstable coalition government might decide to adopt an easy policy, saying, "We will implement this tax cut for the time being, and then, when the time comes, we will consider the way to increase taxes." As a matter of course, he had to talk to Ichiro Ozawa, who managed the Hosokawa administration.

"The Accounting Bureau conceptualized the national welfare tax plan, and Saito orchestrated it. To consummate the plan, Saito had a meeting with Ozawa in the evening of 31 January at "Fumiya," a Japanese restaurant in Akasaka that is patronized by MOF officials. During this meeting, which lasted for about an hour and a half, Saito explained the need to implement an income tax cut and a consumption tax increase concurrently. Ozawa thought it difficult to implement both at the same time because of opposition from the SDPJ, but he agreed to Saito's plan because he wanted to pull the MOF toward the coalition government" (per a copy desk editor at the economic section of a national newspaper).

A scheme was devised. But, because of a lack of rehearsing its main actor, it ran into problems during a press interview.

The scheme—Ozawa and Saito as producer and director, and Hosokawa as the main actor—was uncovered during the press interview. The following is a scene from the interview that became quite well known:

> [Question] What is the difference between the national welfare tax and the consumption tax?"
>
> [Hosokawa] The purpose [of the national welfare tax] is obviously quite different from that of the consumption tax. In a broad term, it [the national welfare tax] is an object tax.
>
> [Question] What is the basis for the 7-percent tax rate?
>
> [Hosokawa] After considering various aspects in a comprehensive manner, we judged it to be the right percentage. We didn't make a precise computation (on how much we will need for welfare spending). We made a 'rough estimate' and thought that there was a need for funds roughly this much. That rate is absolutely necessary.

An object tax in a broad term? A rough estimate? A need for funds roughly this much?

It was obvious to everyone that Hosokawa had not prepared himself for the press interview—even if he did not have much knowledge on taxation, he should have gained some knowledge on the issue.

### "Now Is the Only Chance for Tax Reform"

Joining hands with Ozawa—a leader of the coalition government—and getting involved in the national politics as a representative from the bureaucracy, Saito has become a man in the limelight. As a bureaucrat, he is supposed to stay behind the scenes. But his coming under the limelight means that the bureaucracy is strengthening its power in contrast to the weakening power of the political sector. Saito seems to be drawing attention because of his Ozawa-like bluntness and shrewdness in trickeries.

A reporter on economic affairs who is close to Saito says, "He told me that a female newscaster for a wide show on TV [a "Current Affair" type program] was reporting in front of Mr. Saito's house the other day and said, 'This is the house of Vice Minister Saito, who came up with the idea of a national welfare tax.' With a wry smile, Saito said, 'I was so embarrassed.'"

Chairman Tomiichi Murayama of the SDPJ made a cynical remark when Saito called on him in January to "explain" about a consumption tax increase: "So, you are Mr. Saito, who moves the nation behind the scenes."

Saito sticks himself up and often gets hammered down. He becomes a likely target of the opposition parties because he is the one who laid a groundwork for a tax increase and no one likes tax increases. Faced with such bashing, he sometimes gets discouraged:

"When he is drunk, he becomes sorry about himself and says, 'Why don't they understand the need for a consumption tax increase? Now is the only chance for tax reform. It's so obvious'" (per the reporter on economic affairs quoted earlier).

Of course, even after being bashed occasionally, the MOF official never gave up his plan for a tax increase. Japanese bureaucrats are extremely loyal to their ministries and agencies. Among them, elitist MOF officials are especially so.

(According to the reporter from the Press Club at the MOF quoted earlier:) "They are not paid well for their hard work. Compared to their college classmates who joined top-ranking banks or trading companies, their salaries as division chiefs in their 40's are about a half as much. In addition, they are thrown into a disadvantageous position from time to time, being sullied by politicians. Also, they are looked upon coolly by the public. I once asked an MOF official why he can be so enthusiastic about a tax increase that everyone hates.

"Then, he answered, 'Are you doing newspaper reporting just for the sake of money? Rather, you must have a sense of mission in reporting and writing. The same, here.'"

### Former Officials Support the "MOF Family"

In fact, bureaucrats' salaries are not very high. But the world of bureaucracy makes up for them eventually through the system of appointing retiring officials to responsible positions in private organizations. According to their ranks before their retirement, former MOF officials are assigned to the MOF "controlled" banks and securities firms as well as its related special corporations and foundations. They are welcomed in with high salaries, and they will soon receive huge pensions. By hopping from one company to another to "collect pensions," they will be able to recover quickly the lost wages in their earlier years.

This is why "an official who used to live in a small government-owned residence up until his late 40's can build a grand house in a residential area like Setagaya as soon as he retires" (per a journalist covering the financial sector).

Former officials are also the source of the MOF power. It is almost certain that the next governor of the BOJ will be Yasuo Matsushita, chairman of Sakura Bank and former vice minister of the MOF. The chairman of the board of directors at the Tokyo Stock Exchange, the governor of People's Finance Corporation, the governor of the Export-Import Bank of Japan—all are former vice ministers at the MOF. Most of the top-ranking directors at such quasi-government financial institutions as the Overseas Economic Cooperation Fund and Japan Development Bank are former MOF officials. According to a survey conducted by the Tokyo Shoko Research [a privately owned credit-survey organization], about one fourth of the presidents of private banks are former officials at the MOF or the BOJ. All these posts are assigned as vested interests to former MOF officials.

The ministry takes care of its officials even after their retirement. This support system elevates the "MOF family's" sense of solidarity, nurturing loyalty to the ministry and its own logic. The MOF family's constitution that equates the "ministerial interest" with the "national interest" is "sound finance." This sense of mission that ignores the populace led to the increase of the consumption tax rate to 7 percent.

### The 7-Percent Rate Was Preplanned

The MOF insisted on the 7-percent rate and made a carefully worked-out strategy.

During his beginning-of-the-year press interview in January 1994, Prime Minister Hosokawa disclosed his "Vision for the Twenty-First Century." This vision was used later by Vice Ministers Saito and Kumano in their rounds to explain that "a tax increase is necessary to materialize Hosokawa's vision." It was then incorporated into the "Welfare Vision for the Twenty-First Century" (issued on 24 March [1994]), which concluded that additional revenues would be needed to materialize the vision, and therefore a consumption tax rate increase to 7 percent was "automatically" necessary.

The recent tax cut is based on the Law on Temporary Measures To Reduce Income Tax, which was passed by the Diet at the end of March [1994]. The law contains an additional clause: "With regard to income tax for the fiscal year 1995, a study will be conducted immediately to implement tax reform so as to make a drastic cut in income tax."

This clause seems like a simple statement, but it contains a profound implication of the MOF's long view. The law itself deals with the tax cut for the fiscal year 1994, but its additional clause deals with a request pertaining to the fiscal year 1995. In other words, it is telling the politicians that "if you want to continue the tax cut, you must make a decision on tax reform to find a source of revenues lost to the tax cut."

Subsequent to this groundwork, the MOF presented its "mechanical trial balances for tax reform" on 27 May [1994]. Based on an assumption that the tax cut would be in effect for three years, a trial balance of revenues and expenditures was prepared each for the rates of consumption tax at 7, 8, 9, and 10 percent. Especially for the 7-percent rate, three different trail balances were prepared, assuming the duration of tax cut being one, two, and three years. Trial balances were not prepared for the rate of 6 percent or less—they were mainly for the 7-percent rate. "Mechanical trial balances" are used as a basis for discussion by the government's Tax Commission, and they do not take into account such factors as a natural increase in tax revenues—they are "prepared mechanically" based on the amount of current tax revenues. As the MOF didn't prepare such trial balances for the rate of 6 percent or less, it was considering only a net increase in tax.

Also, these "mechanical trial balances" were prepared based on such assumptions as an income tax cut of about 6 billion yen, an increase of consumption tax rate to 7 percent, and allocation of a net tax increase to improve welfare-policy measures. These assumptions are almost identical to those in the national welfare tax plan proposed by Hosokawa on 3 February [1994]. Although the MOF changed its tactics and approaches, it never gave up on its initial plan to raise the rate of consumption tax to 7 percent.

"After the failure of the welfare tax plan, the MOF pretended to be inactive, but it was actually making a careful plan on how to implement a tax increase with the tax cut and how to get the 7-percent rate approved. In preparing the "welfare vision" and the "mechanical trial balances," the MOF's tax professionals worked hard on figures to avoid any opposition. They made a "careful plan" so that the 7-percent consumption tax would seem inevitable" (per a journalist on financial affairs).

### "The Tax Rate Could Be 10 Percent"

All told, the 7-percent rate seems to have been preplanned. But this view was vehemently denied by Jin Murai (of Shinseito), chairman of the Subcommittee on the Basic Aspects of the Tax System, which compiled a report to be used as a basis for discussion by the leading coalition parties' Tax Reform Conference.

Murai says, "'The view that the 7-percent rate was preplanned' shows a complete lack of understanding of the role of politics. Our subcommittee spent more than 200 hours in debating on the issue. We had 35 meetings and maintained an open-door policy throughout so that anyone could attend these meetings. The bureaucrats should not be able to supersede these efforts."

Therefore, he says that the conclusion drawn by his subcommittee was strictly a political judgment. (The final report issued on 21 June [1994] by the leading parties' Tax Reform Conference supported a net tax increase, but it did not mention any tax rate.) Personally, he is for a tax increase larger than MOF bureaucrats propose.

He says, "It is much more equitable to tax on consumption than on income, as the latter is difficult to grasp. Also, our national finance has 2 billion yen in debt (national bonds), which is 1.6 million yen per capita. If nothing is done, interest on these debts will accumulate, and 20 years from now, the per capita debt will be 4.2 million yen. Personally, I believe it necessary to charge a consumption tax rate of 10 percent or more. Of course, I understand that it cannot be done immediately."

### Why Don't They Cut Expenditures?

The views of bureaucrats and politicians seem to have converged "accidentally" on the net tax increase. However, Yuji Tsushima, deputy chairman of the Tax Commission from the LDP and a former MOF official, says that the 7-percent rate is quite a self-seeking figure conjured up by the MOF, which doesn't want to "sacrifice" itself but asks the public to bear the burden, instead.

He says, "The reason the 7-percent rate is firmly established is based on a simple logic of MOF bureaucrats." If the tax cut in the amount of 6 billion yen continues for two years, the lost revenues must be supplemented by issuance of debt-covering national bonds. Redemption of the principal and interest will become added burdens, and consumption tax will also affect the government's expenditures. Considering all this, the MOF needs a new source of revenues in the amount of 9 billion yen, which can be secured through the 7-percent consumption tax.

"This logic is basically flawed. Why don't they review expenditures? They should look into national and local expenditures for any waste and cut administrative expenses as much as possible. There are lots of waste in public works projects and so on. Also, we need to consider deregulation and privatization of public corporations. Then, we will be able to control expenditures, setting a zero or negative ceiling on such expenditures.

"Only after we make such efforts, the public will understand. We should never allow such an easy way out as supplementing the lost revenues from the tax cut by a tax increase."

He, then, turns his critical eye toward the attitude of the leading parties' Tax Reform Conference, which was pulled in to the MOF's plan:

"The leading coalition parties lack knowledge and experience. Therefore, they cannot confidently point out errors made by the MOF. If bureaucrats are engines, politicians are operators of these engines; the operators have to control the engines well and fix them if they get out of line. If not, the engines will run afoul. If the politicians make arguments without being able to verify the basis for "trial balances" that do not incorporate administrative reform or efforts to cut spending, they will certainly be led into the trap."

Administrative and financial reform must be dealt with first before a tax increase can be considered.

(Per Shoichi Ide, chairman of Sakigake General Affairs Bureau) "We received various public opinions through fax. What we were told most frequently was that we should carry out administrative and financial reform before any tax increase. So, we cannot accept the MOF's idea of raising the consumption tax rate to 7 percent without doing something about the issue of administrative and financial reform."

However, such reform will be quite difficult to carry out because of possible opposition from bureaucrats. In any event, the MOF never considered the effects of administrative reform in preparing the trial balances.

Why?

As mentioned earlier, bureaucrats make up for their small salaries by earning big salaries after their retirement. The MOF has control over many special corporations and government-affiliated institutions that will hire its retiring officials. Among the ministries and agencies, the MOF has the largest number of retiring officials being hired by private companies, and it is on a par with the Ministry of Agriculture, Forestry, and Fisheries and the MITI in placing its former officials at government-affiliated institutions. Eliminating these vested interests by its own hands is unthinkable due to its loyalty to the MOF family, including its former officials and colleagues. Eiji Suzuki, chairman of the Thid Ad Hoc Council on Administrative Reform, lamented and said, "It is regrettable that we could not do anything about special corporations." He encountered an all-out opposition from the bureaucrats. Special corporations are a sacred zone for the bureaucrats.

**"Ozawa Cannot Be Trusted, Either"**

The MOF did not accept our request for interview this time, saying, "We are no longer dealing with the issue of tax reform. This issue has already been referred to the government's Tax Commission and politicians. So, we cannot answer to your questions" (per the Minister's Secretariat).

But what we wanted to ask were pertaining not to the issue of tax reform per se but to the tax philosophy of MOF officials and the way they sought the tax increase. The bureaucrats are said to be superior to the politicians. Then, what do they think of the criticism against the rising power of MOF bureaucrats?

With a condition of anonymity, one of top-ranking MOF officials accepted our request for interview.

[Question] From the end of last year to the beginning of this year, Vice Minister Saito and MITI's Vice Minister Kumano visited companies in the business community and mass media, and distributed some papers to them. What were the objectives of their visits?

Officially, the MOF does not acknowledge the existence of such papers. In other words, the ministry has nothing to do with the two individuals' explanatory rounds.

[Question] Then, did Vice Minister Saito decide to do the explanatory rounds on his own?

I cannot answer to that question.

[Question] There is a criticism that Vice Minister Saito's political action goes beyond his capacity as a bureaucrat.

I think that's because the people don't understand what the overall tax system should be. Also, I believe the criticism was made concerning the national welfare tax. But, honestly speaking, the people within our ministry applaud Mr. Saito by saying, 'We are glad that he did all the way to that extent,' rather than criticize him.

[Question] Some people are still strongly voicing that there are things to be done before deciding on the 7-percent rate, such as administrative and financial reform as well as correction of the unfair tax system.

If so, I would like to ask them what percentage would be appropriate. In an extreme case, they might say that the rate should be zero percent. To such meaningless and emotional arguments, our ministry doesn't have an answer.

[Question] Among the MOF's undisclosed activities, I believe that there was a collaborative strategy between Vice Minister Saito and Ichiro Ozawa to raise the consumption tax.

I cannot answer to that question. I'm not aware of the existence of such a strategy. However, Mr. Ozawa almost chose to separate a tax increase from a tax cut. In other words, he somewhat lacks understanding of the concept of sound finance. Therefore, I don't think the vice minister had full confidence in him.

[Question] Don't you think that your insistence on sound finance is skewing other policy measures, such as an economic stimulus package?

Then, who is going to take responsibility on financial matters? Do you think it's all right for the Japanese financial condition to collapse in the future? I understand that politicians have to please the public. But our job is to present figures for the future to show them what might happen if they continue to please the public and to ask them to use our data in making policies, and thereby to maintain sound finance.

Many times [during our interview], I felt the minister's strong self-confidence and sense of mission. And at the same time, I also felt frustrated.

### The "MOF's Logic" Is Inadmissible

Everyone acknowledges the superior abilities of MOF bureaucrats. But, even if politicians are weak, bureaucrats are supposed to support the politicians. During my recent interviews with the politicians who participated in debate on tax reform, I heard all of them—members of both leading and opposition parties alike—saying one thing in common. Knowing the capability of MOF bureaucrats as a powerful group and acknowledging the lack of ability by present-day politicians, they all said as follows:

"Even if a policy fails, the bureaucrats will not have to take responsibility or to worry about being fired for it. They are not entrusted by the public through elections, either. No matter how patriotic they might be, they should not be allowed to act independently on their own logic.

## North Korea

### Nation's 'Peaceful Nuclear Activities' Stressed

*SK2308151794 Pyongyang KCNA in English 1512 GMT 23 Aug 94*

[Text] Pyongyang, August 23 (KCNA)—A German businessman was recently caught while attempting to sell plutonium through a shady channel in Germany, according to a report.

And, strangely enough, there are attempts to connect this case with the DPRK in a far-fetched manner.

According to foreign media reports, the German paper COLOGNE EXPRESS carried a groundless report that the German arrested for the concealment of plutonium had received "an operation fund" from the DPRK and he was carrying something like "credentials."

It is needless to say that this is sheer fabrication.

For the German media to carry news items groundlessly provoking the DPRK is a lamentable act departing from the fairness and objectivity, the main attribute of the press.

The DPRK's stand on peaceful nuclear activities is widely known to the world. The honesty of its nuclear activities has been fully proved in the course of its talks with the United States and practical steps for a fundamental solution to the nuclear issue will be taken at the forthcoming DPRK- U.S. talks and expert-level negotiations.

Judging from this, it is crystal-clear why some dishonest forces try to connect the smuggling of plutonium with the DPRK in a far- fetched way.

Because they did not like the settlement of the nuclear issue, they had invented the fiction of "suspected nuclear development program" of the DPRK and now resort to a foolish trick to impose a double charge of "nuclear suspicion" against it with the groundless "suspicion of nuclear material smuggling."

In this, they dream a foolish dream of undermining the success of the DPRK-USA talks at any cost and stifling the system of the DPRK in the long run.

This is, however, as foolish as trying to break a rock with an egg.

No matter what fuss they may make against some one, no one will lend an ear to it and no one will allow himself to be disgraced by that third-rate burlesque.

The dishonest forces must not resort to the ridiculous third-rate drama but behave themselves properly, looking straight at the trend of the times.

As for the nuclear material smuggling, the nations that produce nuclear material must be blamed.

They would be well advised not to try to avoid the responsibility for the nuclear material smuggling but to take an appropriate measure to bring the storage and management of nuclear material under tighter control.

### Start of 'Extremely Dangerous Test War' Alleged

*SK2408044494 Pyongyang KCNA in English 0431 GMT 24 Aug 94*

["Very Perilous Test War"—KCNA headline]

[Text] Pyongyang, August 24 (KCNA)—The South Korean puppets on August 22 started the adventurous "Ulchi Focus Lens 94" joint war exercise for a preemptive attack on the northern half of Korea in league with the U.S. imperialists, according to military sources.

Involved in this criminal war exercise were large Armed Forces hundreds of thousands strong including the U.S. Joint Chiefs of Staff and the Combined Command of the U.S. three services, an armored tank division, a motorized infantry division, an air attack division and a paratrooper division deployed in the U.S. mainland and the Pacific region, the U.S. Pacific Naval and Air Force Commands, the U.S. imperialist aggressor forces present in South Korea, Army, Naval and Air Force divisions of the South Korean puppet Army and vast murderous equipment such as the U.S. Seventh Fleet and a group of combatant ships of all types including the landing command ship Blue Ridge, different types of flying corps and missile units.

This aggressive war exercise is an extremely dangerous test war and preliminary war in which the U.S. imperialists and the South Korean puppets sought to examine the feasibility of the "new operational plan" for a surprise preemptive strike at the northern half of Korea.

The U.S. imperialists and the South Korean puppets must stop the reckless war exercise at once, deeply pondering over the grave consequences to be entailed by their war moves.

### Hanminjon Holds News Conference on Anniversary

*SK2408051194 Pyongyang KCNA in English 0444 GMT 24 Aug 94*

["Press Conference on 25th Anniversary of Hanminjon"—KCNA headline]

[Text] Pyongyang, August 24 (KCNA)—A press conference took place at the Pyongyang mission of the South Korean National Democratic Front (Hanminjon) on August 23 on the occasion of the 25th founding anniversary of Hanminjon.

Present there were media reporters here and foreign correspondents.

Yi Chong-sang, chief of the mission, said the vanguard fighters and patriotic people of South Korea are greeting the 25th founding anniversary of Hanminjon, turning into indomitable courage and spirit the bitterest sorrow at the sudden death of the great leader Comrade Kim Il-song, a peerless legendary hero and patriot and the father of the nation.

He recalled that the revolutionary party for reunification, the predecessor of Hanminjon, was founded on August 25, 1969.

Noting that Hanminjon is a mass vanguard organisation with broad social and class foundations, he said it assumes a dignified appearance as the mouthpiece of the will and interests of all the South Korean people demanding national independence and as their patriotic vanguard that struggles for the common interests of the nation and the common demand of all the classes and strata.

The development of Hanminjon is unthinkable apart from deep trust and warm care shown by Comrade Kim Il-song, he said, and continued:

"The vanguard fighters of Hanminjon now feel their hearts bleed in deep grief, earnestly yearning for the fatherly leader. We will rise up as one to fulfil his behests by turning today's sorrow into loyalty to Comrade Kim Chong-il, the outstanding leader of the nation.

"With sagacious Comrade Kim Chong-il as its great leader, our nation has nothing to be afraid of and nothing more to desire.

"Hanminjon and people of various strata will accomplish the historical cause of independence, democracy and reunification without fail under the brilliant banner of the chuche idea, holding him in high esteem as the bright sun of the nation."

Yi Chong-sang answered questions put by reporters.

### Hanminjon Statement on Kim Yong-sam 'Atrocities'

*SK2408103094 Pyongyang KCNA in English 1014 GMT 24 Aug 94*

["Suppression of Pro-Reunification Patriotic and Democratic Forces by Kim Yong-sam Group Denounced"—KCNA headline]

[Text] Pyongyang, August 24 (KCNA)—A spokesman for the South Korean National Democratic Front (Hanminjon) in a statement on August 19 bitterly denounced the shocking atrocities of the dictator Kim Yong-sam in his fascist suppression of people under the murderous "new security-oriented rule", branding them as an unpardonable challenge to the people aspiring after independence, democracy and reunification, according to radio Voice of National Salvation from Seoul.

The statement said:

The Kim Yong-sam traitor clique mounted a fascist offensive against the patriotic and democratic forces, throwing off even the mask of "civilian politics." This is the last-ditch effort to save the crisis of the "civilian regime" that has reached its limit.

The Kim Yong-sam group is trying to keep the popular sentiments from running toward the North and stifle the pro-reunification democratic forces on one hand and cool the North-South relations to the lowest degree and thus block the progress of the DPRK-U.S. talks and frustrate a peaceful solution to the nuclear issue on the other hand. But this cannot be a way out for the "civilian" dictators to get out of the crisis.

Far from observing the etiquette of mourning on the death of the father of the nation, the biggest loss, the Kim

Yong-sam group levelled the guns to the fellow countrymen writhing in grief and madly wielded the sword at the people who were expressing condolences. This thrice-cursed barbaric act is a heinous crime for all ages which will never be erased through generations. The Kim Yong-sam group will face a stern judgement and severe punishment by the era and history.

The statement continues:

The notorious "National Security Law" strangling democracy and antagonizing the fellow countrymen and the "new security-oriented rule" under this evil law must be repealed immediately and the gangster Kim Yong-sam, the fascist tyrant, must step down from power at once before he is driven to a disgraceful end by the enraged people.

Our Hanminjon and the people of all strata no longer regard the Kim Yong-sam fascist clique as human beings, still less fellow countrymen, but are valiantly rising up in a new struggle with the determination to throw this dirty band of traitors into the ditch of history.

Hanminjon together with the people of broad segments will overthrow the cursed Kim Yong-sam fascist "regime", establish an independent and democratic new government and accomplish the cause of reunification in the 90s without fail in unity with the entire fellow countrymen.

## Indo-Korean Association Statement Views ROK

*SK2408103194 Pyongyang KCNA in English 1018 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—The All India Indo-Korean Friendship Association and the Indian Committee for Supporting Korea's Reunification in a joint statement on August 3 vehemently condemned the South Korean authorities for behaving haughtily, far from mourning over the sudden death of the great leader Comrade Kim Il-song, president of the Democratic People's Republic of Korea.

Noting that the act of the South Korean authorities in inciting a war atmosphere, blocking the northern trip of a mourning group, was the height of inhumane brutality, the joint statement called upon all the democratic forces of India to denounce it pungently.

The Burundi-Korea Friendship Association and the Burundi Committee for Supporting Korea's Reunification in a joint statement on August 16 said that South Korea destitute of the freedom of mourning over a great man is the worst barren land of human rights in the world and the South Korean authorities are villains who do not know elementary morality and etiquette.

Expressing indignation at the fact that the brutal act of the South Korean authorities is committed under the legal protection of the "National Security Law", the joint statement strongly urged the South Korean authorities to abolish the notorious "National Security Law" at once and immediately release those figures arrested on the charge of expressing condolences.

## Asian Committee Denounces ROK for Not Mourning

*SK2308151294 Pyongyang KCNA in English 1505 GMT 23 Aug 94*

[Text] Pyongyang, August 23 (KCNA)—The Asian Regional Committee for Supporting Korean Reunification some time ago published a statement denouncing the anti-ethical and immoral act of the South Korean authorities.

The statement said that at a time when even the U.S. President expressed condolences to the DPRK Government over the death of the great leader President Kim Il-song, the South Korean authorities, far from expressing condolences, brutally cracked down on the patriotic people and students demanding permission of their mourning visit to Pyongyang.

The Asian people denounce the South Korean authorities for committing such an anti-ethical act when leaders of the world and all people were mourning over the great revolutionary, said the statement.

The statement demanded the South Korean authorities send patriots and people to Pyongyang to mourn over the so deeply respected great leader President Kim Il-song before his bier.

## Poster 'Pasted Up' in ROK Praises Kim Chong-il

*SK2408045594 Pyongyang KCNA in English 0425 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—A literature 60 centimetres long and 40 centimetres wide in the name of the "Sunflower Society" was pasted up on a wall of the building of a Church in central district, Pusan, South Korea, on August 8, exciting churchmen and passers-by, according to radio Voice of National Salvation from Seoul.

Carried in the literature were the words reading "attempt to deal with the popular sentiments at the point of the bayonet is the dream of a fool trying to cover the sun with his palm. President Kim Il- song, the sun of the nation, will live forever in the minds of people and all people will always earnestly follow and hold in high esteem the dear leader Kim Chong-il as the sunflower follows the sun." (Sunflower Society. August 8, 1994).

Churchman Yi Man-il said after reading the literature:

Kim Yong-sam, the arch traitor who wielded the bayonet when fellow countrymen faced a matter of grave concern, must be crucified.

Now the pains of the nation at the loss of the president is piercing the sky. General Kim Chong-il, commander from the heaven, will send the Noachian deluge to the traitor to settle the grudge of the people and bring them the dawn of reunification.

### Agricultural Union Denounces South's Suppression

*SK2408104094 Pyongyang KCNA in English 1027 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—The Central Committee of the Union of Agricultural Working People of Korea (UAWPK) released a statement today denouncing the Kim Yong-sam group for brutally suppressing the national democratic movement forces in South Korea.

Noting that the Kim Yong-sam fascist clique carried out a three- dimensional "suppressive operation" on the ground and in the sky by letting several helicopters spray a large amount of liquefied teargas on Seoul National University, the venue of the fifth Seoul pan-national rally, the statement says:

Viewing this shocking brutality as an act of human butchery and a vicious challenge to the 70 million fellow countrymen eagerly hoping for national reunification, the Central Committee of the UAWPK bitterly condemns it on behalf of all the agricultural working people in the North.

The Kim Yong-sam group's fascist suppression is nothing but a death-bed wriggle of those in their waning days.

The patriotic students and people of South Korea, determined not to pardon any longer Kim Yong-sam, a heinous traitor and a human dreg, are now rising up in the struggle to ostracize him.

The agricultural working people of the North express the belief that the six million peasants of South Korea, as they resolved, will turn out more staunchly in the righteous struggle for getting rid of the traitors and having the fascist laws including "the National Security Law" scrapped.

### Solidarity Month With Cuba Ends

*SK2408045794 Pyongyang KCNA in English 0427 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—The month of solidarity with the Cuban people which had opened on the occasion of the 41st anniversary of the July 26 armed uprising of the Cuban people closed.

A friendship labor took place on August 23 in this connection.

Participating in the labor were Yi So-yong, vice-chairman of the Central Committee of the Union of Agricultural Working People of Korea, officials concerned and Cuban Ambassador to Korea Jose Ramon Rodriguez Varona and his embassy officials.

The participants deepened the feelings of friendship while working together.

### Italian Communist Party Leader Praises North

*SK2408103994 Pyongyang KCNA in English 1022 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—Oliviero Diliberto, member of the leadership and the secretariat of the Communist Reestablishment Party of Italy and president of LIBERAZIONE, the organ of the party, and member of the parliament, on a visit to Korea, was interviewed by a KCNA reporter.

"What impressed me most during my visit to Korea is the people's absolute trust in and support to the great leader and the great party," he said, and went on:

"I could keenly feel how earnestly the Korean people trust, follow and respect the party and the leader.

"Tears welled up in our eyes when we saw the stream of people climbing Mansu Hill where the statue of the great President Kim Il- song is standing, with wreaths and bouquets, though the mourning period for him is over.

"There are no such people in the world as the Korean people who hold the leader in high esteem and remain faithful to his leadership, I think."

Noting that the dear leader Comrade Kim Chong-il who has fully inherited the noble virtues of the great leader Comrade Kim Il-song has long since wisely led the overall affairs of the party, the state and the Army, Oliviero Diliberto heartily wished victory and glory to the Korean people in advancing under the banner of socialism.

### Committee Sends Regrets to Algeria on Earthquake

*SK2308220794 Pyongyang KCNA in English 1514 GMT 23 Aug 94*

[Text] Pyongyang, August 23 (KCNA)—The Central People's Committee of the Democratic People's Republic of Korea today sent a message of sympathy to Lamine Zeroual, president of the Algerian Democratic and People's Republic, for the big losses caused by a strong earthquake recently in Algeria.

The message expressed deep sympathy and consolation to the president and, through him, to the people in the afflicted area and the belief that the Algerian Government and people would recover from the quake damages at an early date and stabilize the life of the people in the area.

### Foreign Media on Kim Chong-il's 'Greatness'

*SK2408044894 Pyongyang KCNA in English 0422 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—The greatness of the dear leader Comrade Kim Chong-il was dealt with by foreign news media.

The Nepalese paper NEPAL POST in an article headlined "Leader Enjoying Trust of People" said:

Dear Comrade Kim Chong-il is the great leader of the Korean people who is bringing Korean-style socialism to completion, most correctly resolving the problems raised by the present times and overcoming the difficulties which have cropped up.

He is devoting his all to the prosperity of the country and the happiness of the people.

The miracles of the century and shining achievements in Korea today are the results of his wise leadership.

His greatest exploit is the accomplishment of the cause of great unity of the leader, the party and the popular masses in one ideology.

The Guyanese paper KEIETEUR world printed a picture of Comrade Kim Chong-il on Mt. Paektu and carried an article on feats of his leadership.

The paper stressed:

Comrade Kim Chong-il has turned the whole country into society full of hope and confidence, a great harmonious family in which the leader, the party and the masses are single-heartedly united, by warmly looking after the entire people with warm care in his bosom with the all-embracing policy and the benevolent policy embodying President Kim Il-song's idea of "believing in people as in heaven".

He is highly praised by the people as the supreme leader and has absolute authority among them for his outstanding leadership ability, noble virtues, infinite devotion to the country and the people and immortal exploits.

The greatness of Comrade Kim Chong-il was introduced by the Russian paper MOLIYA No.73, the Pakistani paper AMAN, the Nicaraguan paper EL NUEVO DIARIO, the Zambian paper DAILY MAIL, the Zairese paper NSEMO and Radio Cairo of Egypt.

## Professor on 'Filially' Upholding Kim Chong-il

*SK2408062394 Pyongyang Korean Central Broadcasting Network in Korean 0455 GMT 23 Aug 94*

[Text] Watching on TV the great leader Comrade Kim Il-song's energetic external activities amid warm welcome by many countries' leaders and billions of people of the world, our people are deeply feeling the great national dignity and pride in having upheld the extraordinary leader. They are filled with the faith and will to be loyal to the leadership of the respected and beloved Supreme Commander General Kim Chong-il, following the teachings left by the fatherly leader.

Comrade Yi Chang-hyon, associate professor, associate doctor, and head of a department of Kumsong Political College, expresses his ardent feelings as follows: [Begin recording]

[Yi Chang-hyon] The serial TV program on the great leader Comrade Kim Il-song's visit to many countries in the world makes me think of many things. The more I watch the program and the more I think about it, the more highly I value our leader for his prestige as a veteran [wollo] and as the great leader [widaehan suryong] not only of the Korean revolution but also of the world revolution since a long time ago, and for his extraordinary leadership which has made immortal achievements in the Korean revolution and the world revolution for tens of years.

Our leader was indeed a great leader of the world. In particular, our people are deeply aware of the fact that they upheld a really great leader, seeing on TV the visage of a great leader visiting former leaders of China, Cambodia, and the former Soviet Union—such as Mao Zedong, Zhou Enlai, Deng Xiaoping, Norodom Sihanouk, and Chervenkov—and visiting many socialist countries, such as the Democratic Republic of Germany, Rumania, Hungary, and the Socialist Republic of Czechoslovakia, in the 1950's.

The generous, benevolent, and great image of the respected and beloved leader, who [words indistinct] to the warm admiration and welcome by famous leaders and billions of people everywhere in the world, will live forever in the hearts of our people and the revolutionary people of the world.

The more I see the great leader's visage on TV, and the more I bear the leader's image deep in my heart, and the more I harden the faith and will to uphold and follow the dear leader Comrade Kim Chong-il faithfully and forever, upholding the fatherly leader's lifelong desire [saengjonui ttut].

We see the image of the dear leader Comrade Kim Chong-il—our destiny, happiness, and future, as well as the great leader [yongdoja] and dear leader of our party and people—in the fatherly leader's benevolent and great image. Our leader [suryongnim] is the same as [kot] the dear comrade leader, and the respected and beloved Supreme Commander General Kim Chong-il is the same as our leader [suryongnim].

We will bear the fatherly leader's esteemed image deep in our hearts and will be loyal to the dear comrade leader to the end, upholding his leadership even more.

We will raise students as chuche-type communist revolutionaries who are endlessly loyal to the great leader and to the dear comrade leader, by organizing and coordinating education and indoctrination work more properly, so that they can fulfill their role as vanguards in the struggle to achieve reunification of the fatherland and consummate the chuche revolutionary cause, the socialist cause in various sectors of working people's organizations. By doing so, we will hand over the immortal achievements of the great leader, who had that high authority, and of the dear comrade leader, generation after generation, and will faithfully and filially uphold [chunghyo ilsimuro patturo] the dear leader Comrade Kim Chong-il's leadership to fulfill our duties in the struggle to glorify those achievements. [end recording]

### DPRK Embassy in Finland on Kim Chong-il Issue

*LD2408090894 Helsinki Suomen Yleisradio Network in Finnish 0800 GMT 24 Aug 94*

[Text] The official appointment of the North Korean leader Kim Chong-il as the country's president and party leader may be expected in the very near future, according to diplomatic sources. The North Korean Embassy in Helsinki has given assurances that the appointment will take place very soon. North Korea observers suspect that difficulties have arisen over the transition to power of the son of Kim Il-song, the country's long-time leader who died six weeks ago. The suspicions were fuelled when the North Korean radio suddenly warned on Sunday [21 August] of plotting against the Communist Party, and there were reports that leaflets against Kim Chong-il had been distributed in the diplomatic quarters of the capital Pyongyang on Saturday night.

### German Spokesman on Anti-Kim Chong-il Leaflets

*OW2408092394 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Aug 94 Morning Edition p 8*

[Text] Berlin (JIJI), 23 Aug—Commenting on news reports that leaflets calling for the ouster of Kim Chong-il have been scattered in the North Korean capital of Pyongyang, a German Foreign Ministry spokesman said on 23 August, "The contents of the leaflets are unclear, but it is true that the leaflets have been scattered." He also added that it is unclear whether or not the leaflets urged the ouster of Kim Chong-il.

SEOUL SINMUN, a South Korean daily, in its 24 August morning edition reported that the leaflets were scattered in front of the German mission in Pyongyang, but the German Foreign Ministry spokesman denied the report. The German Foreign Ministry spokesman stated, however, that the leaflets were scattered in front of embassies and missions of other nations on 21 or 22 August.

### Paper Calls Kim Chong-il 'Another Great Leader'

*SK2408102094 Pyongyang KCNA in English 1007 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—All the potentials and distinguished victories of Korea and all the destinies and happiness of the Korean people have originated from and been exalted in the complete integral whole of the great leader and the people, declares NODONG SINMUN in a political essay today titled "Great Harmonious Whole".

Our integral whole has not broken up or shattered to pieces but has been further consolidated even in the bitterest grief at the death of the great leader Comrade Kim Il-song, the father of the nation and the sun of the independent world, because there is Comrade Kim Chong-il, another great leader, in the hearts of the people, the author of the political essay stresses, and continues:

The dear leader Comrade Kim Chong-il who has fully inherited all the noble virtues and qualities of the fatherly leader is the great leader who is leading the Korean people to victory, firmly standing at the head of the party, the state and the revolutionary Armed Forces, overcoming the sorrow with his strong will even in the difficult time today.

We are blessed with a sagacious leader generation after generation!

This is the source of the unshakable faith and mental pillar for the Korean people to make a firm oath, gulping down tears, and change the sorrow into strength and courage.

The dear leader and the people are closely linked together by blood ties, sharing not only joy but also bitter grief.

The dear leader Comrade Kim Chong-il has said:

"As I said long ago, without a great leader no people become great. The appearance of a great leader and that of a great people have the same origin. When the people are blessed with a sagacious leader, the leader is blessed with a faithful people."

The whole history of the Korean revolution pioneered and emerged victorious under the guidance of the great leader President Kim Il- song was a proud course in which the people were blessed with a sagacious leader, the leader was blessed with a faithful people and this bliss has brought all blessings to this land.

Our dear Comrade Kim Chong-il is a true leader of the people who has wholly inherited the warm love for humanity, steadfast outlook on the people and view of happiness, of President Kim Il-song who had worship for the people on the highest level.

The louder the people sing praise of the dear leader, the greater the favors he grants to the people, and the deeper the trust shown by the people in him, the more devoted the service he thinks and says he should render to the people.

The Korean people owe their heroic mettle, revolutionary spirit, revolutionary faith, strong organisation and discipline entirely to the dear leader, which the world people envy.

He is the defender of all blessings. He firmly defends the socialist paradise, the happiness of the people and the gains of revolution provided by the fatherly leader in his whole life.

The indestructible, organic link between the leader and the people, the people and socialism, socialism and bliss are the most proud and noble canvas that can be seen only in Korea of chuche where the great leader and the faithful people form an integral whole.

No force on earth can break this integral whole in which the great leader and the people share the destiny all the time.

### Ugandan Economic Delegation Arrives 23 Aug

*SK2408030194 Pyongyang KCNA in English 2214 GMT 23 Aug 94*

[Text] Pyongyang, August 23 (KCNA)—A government economic delegation of Uganda headed by minister of state of the presidential office Anthony Logulu Butele arrived here today.

It was greeted at the airport by Yi Song-tae, chairman of the State External Economic Affairs Commission, and other officials concerned.

The Administration Council feted the delegation in the evening.

### Visits Kim Il-song's Statue

*SK2408050894 Pyongyang KCNA in English 0438 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—The visiting Ugandan Government economic delegation headed by minister of state of the presidential office Anthony Logulu Butele Tuesday visited the statue of the great leader President Kim Il-song on Mansu hill and honored his memory.

The guests laid a wreath before the statue of the respected leader President Kim Il-song and observed a silent tribute to him in deep grief at the loss of the respected leader who devoted his whole life to the freedom and happiness of the people and performed undying feats in the accomplishment of the human cause of independence.

The head of the delegation said the great leader Comrade Kim Il- song did a lot of things not only for the Korean people but also for the world progressive people. His death is a big loss for the people of the whole world including the Ugandan people, he noted.

He said the imperishable revolutionary cause to which the president devoted his whole life will be successfully carried forward to completion by the dear leader Comrade Kim Chong-il.

"President Kim Il-song will be always alive in the hearts of the Ugandan people and the progressive people of the whole world," he stressed.

### Former Soviet Envoy Visits Kim Il-song Statue

*SK2408050494 Pyongyang KCNA in English 0434 GMT 24 Aug 94*

[Text] Pyongyang, August 24 (KCNA)—Former Soviet ambassador to Korea Alexander Kapto visited the statue of the great leader President Kim Il-song on Mansu hill to honor his memory.

He laid a wreath he had brought from Moscow before the statue of President Kim Il-song and observed a moment's silence.

He said he was fully sharing the pains of the Korean people. "The steady flow of working people, students and school children and soldiers to Mansu Hill tells us how deeply the great leader Comrade Kim Il-song was respected and loved by the Korean people in his lifetime", he added.

"Comrade Kim Il-song has not parted from us. He will be always alive in the hearts of the Korean people, the world progressive people and us," the ex-ambassador said.

Recalling that Comrade Kim Il-song was the great leader and a great man of the century, he said: "I feel bitter grief over the sudden death of him who was kind and affectionate."

### People Save Scrap Iron for Steel Production

*SK2308135194 Pyongyang Korean Central Broadcasting Network in Korean 2200 GMT 22 Aug 94*

[Text] Working people throughout the country are vigorously struggling to send more scrap iron to steel and iron complexes where iron fighters are serving, upholding the will of the respected and beloved leader Kim Il-song.

With their hearts warming to help workers increase steel production, committees and ministries of the Administration Council, public service personnel of central organizations, and functionaries and workers of subsidiary enterprises visited the Chollima Steel Complex on 22 August, loading approximately 400 vehicles with several thousand tonnes of scrap iron which they had saved over a short period.

To brilliantly implement the respected and beloved leader's intent during his lifetime as well as the intent of the party, the Central Committee of the General Federation of Korean Trade Unions has enabled trade union organizations within the central organization to further strengthen the work of saving scrap iron for steel production.

Responsible functionaries of committees and ministries of the Administration Council as well as public service personnel have unanimously participated in saving scrap iron, saying that saving scrap iron is work all of us should carry out. As a result, several thousands tons of scrap iron—which were buried all over the country, including at construction sites—were saved over a short period.

That day, public service personnel gave the scrap iron to the working class of the Chollima Steel Complex, warmly expecting them to become the standard-bearers of the struggle to implement the party's revolutionary economic strategy just like the iron fighters of their home town of Chollima, as well as the fighters who upheld the party with the increased steel production by inheriting the annals of the revolution.

Also, artists of the Pibada Opera Troupe and economic agitators of various sectors have inspired iron fighters to perform greater meritorious feats by carrying out on the spot agitation work, including work at a steel workshop and a main raw material workshop.

### New Science, Technology Books Published

*SK2408031194 Pyongyang KCNA in English 2219 GMT 23 Aug 94*

["New Science and Technology Books Off the Press"—KCNA headline]

[Text] Pyongyang, August 23 (KCNA)—Publishing houses of Korea recently brought out many books of science and technology which will be conducive to the chuche-orientation, modernisation and scientification of the national economy.

"Special Processing Technology" (4) published by the industry press group carries technological materials on the fundamentals of processing by cathode-ray, cathode-ray welding, melting and heat treatment of materials, and the mechanism and features of cathode- ray processing devices.

"Comparative Handbook of Varieties and Sizes of Steels of Eight Countries" (revised edition) outlines the varieties of steels and chemical composition, mechanical characteristics and uses of steel plates and pipes of Korea, China, Japan, Germany, Britain and France and two other countries.

The publishing house issued scores of other books including "Robot Mechanism", "Technical Control of Dams", "Laser Surveying Instruments and Their Use" and "Reference Materials on Steel-Making Technological Processes of the World."

The science and encyclopedia press group published "Heat- Resisting Metals" (the first volume), "Separation and Purification of Materials by Ion Exchange Resin", "Clinical and Preventive Medicine of Cerebral Apoplexy in Old Age" and other books.

"Clinical and Preventive Medicine of Cerebral Apoplexy in Old Age" explains clinical and anatomical physiology of brain blood vessels and their aging, the change of bones and brain blood vessels and their general characteristics and refers to preventive measures against cerebral apoplexy.

Then it gives scientific details of clinical medicine of celebral apoplexy in old age and its second symptoms.

The agriculture publishing house and the railway publishing house brought out books of science and technology including "Technical Materials of Grain Production", "Nursing of Pure Breeds of Vegetables" and "Modeling and Programming of Railway Transport Processes".

## South Korea

### Minister's Remark on Special Inspection Viewed

*SK2408093694*

[Editorial Report] The following is a compilation of reports published in Seoul vernacular dailies on 24 August on Foreign Minister Han Sung-chu's 22 August remark that the ROK does not have to insist on the term "special inspection" in connection with the inspection of the two undeclared nuclear sites in Yongbyon, North Korea.

The moderate TONG-A ILBO carries on page 3 a 900-word article by Kim Cha-su entitled "Abnormal Current Over Special Inspection of North Korean Nuclear Sites—Foreign Minister Han's Remark Creates a Stir Between Chongwadae [presidential offices] and Foreign Ministry."

The article notes: "Chongwadae strongly objected to the foreign minister's remark, and the Foreign Ministry made haste to clarify the true objective of Minister Han's remark, thus giving the impression that there is disarray within the government over its policy on the North Korean nuclear issue."

The article continues: "Chongwadae openly revealed its discontent, saying that Minister Han's remark is likely to give an impression that our government has retreated from its previous position regarding the special inspection." The article then notes Chongwadae instructed the Foreign Ministry to clarify Minister Han's remark, whereupon "Foreign Ministry spokesman Chang Ki-ho clarified the Foreign Ministry's position on 23 August, stating: 'Minister Han's remark did not mean that the ROK is giving up special inspection, but was meant to stress that practical inspection should be conducted on the undeclared sites.'" The article notes: "The Foreign Ministry's position is to stress the means to practically clear up the suspicion of past North Korean nuclear activity, rather than insisting on the term and form of special inspection."

The article recalls that "Hans Blix, secretary general of the International Atomic Energy Agency, IAEA, stated in October last year that the IAEA might not insist on the term special inspection if practical inspection of the two undeclared sites are ensured. Minister Han then stated that the ROK Government supports Secretary General Blix's view. Therefore, Minister Han's remark that we do not have to insist on the term special inspection is only a repetition of the government position last year."

The conservative CHOSON ILBO carries on page 3 an 800-word editorial entitled "Disarray Again in Policy on the North Korean Nuclear Issue."

The editorial notes: "The conflicting views expressed on a key issue between the president and the foreign minister and among the members of the Unification and Security Policy Coordinating Council are causing distrust among the people toward the government."

The editorial notes: "The special inspection of North Korean nuclear sites is essential as a precondition for our aiding North Korea in the installation of light water reactors, and was confirmed in the 17 August telephone conversation between President Kim Yong-sam and U.S. President Clinton."

The editorial continues: "Minister Han's logic is that if we can obtain practical results equivalent to the special inspection, we do not have to insist on the term special inspection, and that insisting on special inspection will only provoke North Korea, making the solution of the problem difficult.' Minister Han's remark sounds plausible from a viewpoint of rhetoric, but he must be criticized for not correctly grasping the essence of the North Korean nuclear issue. Under ordinary circumstances, ad hoc inspection [imsi sachal] and ordinary inspection [ilban sachal] are enough to ensure nuclear transparency. In the case of North Korea, however, suspicion arose as a result of the ad hoc inspection and ordinary inspection, thus necessitating a special inspection. We would like to question whether there is any way to achieve the goal of clearing up the suspicion of the North Korean nuclear program without conducting special inspection? Even if there is, can we be sure that North Korea will accept such a way?"

The left-leaning HANGYORE SINMUN carries on page 3 a 900-word article by Kim song-ho entitled "Friction Again Over the Policy Toward the North—Hardliners Check Sensible Current in Dealing With North Korean Nuclear Issue."

The article notes the hardliners' offensive in connection with Foreign Minister Han's remark and writes: "It is feared that the hardliners' policy of insisting on special inspection will throw a wet blanket over the North Korea-U.S. talks." The article continues: "The Foreign Ministry and the National Unification Board are expressing considerable complaints about the hardline stance coming from Chongwadae. They are of the opinion that Chongwadae's hardline policy toward the North will not help solve the North Korean nuclear problem and, ultimately, will not help inter-Korean relations, as well."

The left-leaning HANGYORE SINMUN carries on page 3 an 800-word editorial entitled "Does It Have To Be 'Special Inspection'?"

The editorial begins by questioning: "Is special inspection an essential process to resolve the North Korean nuclear issue?" The editorial notes: "In the statement of agreement between North Korea and the United States dated 13 August, clear reference was made to the measures to freeze the present and future North Korean nuclear program, but no direct solution was set forth on the clarification of past North Korean nuclear activity. Therefore, it is quite natural that we, who have vital interests in the result of the talks although we are not a party to the talks, should take deep interest in North Korea's past nuclear activity. However, we see no feasibility in the logic that special inspection is essential to clarify past nuclear activity. It only becomes valid logic in case clarification of North Korea's past nuclear activity becomes impossible without special inspection."

## Distribution of Anti-Kim Chong-il Fliers Viewed

*SK2408074094*

[Editorial Report] The following is a sampling of articles published in ROK vernacular dailies on 24 August reacting to rumors that leaflets carrying the slogan of "Down With Kim Chong-il" were distributed in the diplomatic compound in Pyongyang.

The moderate KYONGHYANG SINMUN carries on page 3 a 1,000-word article by reporter Yi Chong-taek entitled "The Background Behind the scattering of Leaflets in the North Proclaiming 'Down With Kim Chong-il'." The article begins by saying that this incident can be seen as an indication that "severe internal strife is going on in the North over Kim Chong-il's rise to power." Pointing out that the diplomatic compound in Pyongyang is off-limits to ordinary people, the article says this indicates that "this is a deliberate work of a person or persons who may well have a privileged status," and that it was aimed at obtaining "indirect outside support" by letting the world know that a movement opposing Kim Chong-il exists in North Korea. The article holds that "this is a kind of 'SOS call' that if the world hopes to induce opening and reform from North Korea, it would be wise for the outside to help them rather than hope for an early stabilization of the Kim Chong-il system."

Enumerating upon past incidents in which leaflets calling for the ousting of Kim Il-song and Kim Chong-il were scattered in North Korea, the article writes that this incident is of much more significance because it occurred "on the threshold of power transfer" in the North. The article goes on to say that the "unusual" Pyongyang Radio commentaries regarding the succession issue, could be related to this anti-Kim Chong-il leaflets incident.

Citing Kim Il-song's brother Kim Yong-chu, Kim Chong-il's stepmother Kim Song-ae, and someone in the party, administration, and military who have anti-Kim Chong-il sentiments as possible anti-Kim Chong-il factions, the article interprets this incident as the "public relations tactics" of the anti-Kim Chong-il faction to counter Kim Chong-il's firm grip over the North Korean media.

The moderate HANGUK ILBO carries on page 3 a 1,000-word article by reporter Choe Kyu-sik entitled "Government Analysis of 'the Distribution of Fliers Urging the Ouster of Kim Chong-il'." The article says the government sees this incident as the "strongest indication yet" that Kim Chong-il may be facing problems in his formal rise to power and as "concrete evidence" of the existence of an anti-Kim Chong-il movement. Reporting that the North Korean authorities have become extremely agitated in the wake of this incident, the article says, the government considers that the incident may well have been carried out by "an organized anti-Kim Chong-il faction."

While noting that the scattering of anti-Kim Chong-il leaflets may actually attest to Kim Chong-il's health, the article writes that "rumors on Kim Chong-il's poor health still abound and the government is concentrating its efforts on collecting more information on this." Judging that the power transfer may take longer than most are predicting, the government is preparing multilateral countermeasures for such an event, the article notes.

### President: Leaflets 'Significant'

*SK2408002694 Seoul YONHAP in English 0014 GMT 24 Aug 94*

[Text] Seoul, Aug. 24 (YONHAP)—President Kim Yong-sam Tuesday attached significance to the alleged scattering of leaflets in Pyongyang proclaiming "Down With Kim Chong-il."

During a dinner he hosted for one- and two-term lawmakers from the ruling Democratic Liberal Party at Chongwadae, the presidential mansion, the chief executive said, "various significant moves are going on in North Korea... The citizens should be even more cautious and alert to cope with any contingency."

According to a guest at the dinner, President Kim described as "a miniature of the world" the Pyongyang district that houses foreign embassies where the leaflets were distributed. "The fact that the leaflets were scattered at such a place indicates that the act was aimed at a precise effect," President Kim was quoted as saying. Kim believes the incident was the work of someone enjoying privileged status.

### Party Spokesmen on Fliers

*SK2408043794 Seoul KBS-1 Radio Network in Korean 0200 GMT 24 Aug 94*

[Text] Pak Pom-chin, spokesman for the Democratic Liberal Party, said today [24 August] that it is difficult to conclude that the distribution of anti-Kim Chong-il fliers in Pyongyang is a sign of change in North Korea. Instead of coming to a hasty conclusion on internal change in the North, quietly watching for its change would be a more appropriate attitude, he said.

Spokesman Pak added that since the Korean peninsula is in a sensitive stage following Kim Il-song's death, it would not be right to point out every detail of change in North Korea.

In the meantime, Pak Chi-won, spokesman for the Democratic Party, said in today's commentary that the distribution of fliers calling for the ousting of Kim Chong-il in the precincts of the diplomacy complex in Pyongyang is a noteworthy case together with the rumor on abnormality in Kim Chong-il's health.

He, however, stated that it is desirable to quietly watch the developments in North Korea as it is more important that the two Koreas proceed on the road to reunification with the stabilization of the North Korean system and the resolution of its nuclear issue.

### German Embassy Confirms Leaflets

*SK2408075994 Seoul YONHAP in English 0746 GMT 24 Aug 94*

[Text] Tokyo, Aug. 24 (YONHAP)—A German Foreign Ministry spokesman, commenting on news reports that anti-Kim Chong-il leaflets were found at the foreign embassies' compound in Pyongyang, on Tuesday admitted that there was an incident of leaflets being scattered, the NIHON KEIZAI SHIMBUN said Wednesday citing JIJI Press.

The spokesman was quoted, however, as saying it was unclear whether the leaflets had urged the ouster of Kim Chong-il from power.

### Diplomats in DPRK Deny 'Rumor'

*SK2408012794 Seoul KBS-1 Radio Network in Korean 0105 GMT 24 Aug 94*

[YONHAP reports from Bangkok]

[Text] Thai media on 24 August, quoted two foreign diplomats stationed in Pyongyang as saying that reports in Seoul that anti-Kim Chong-il leaflets had been distributed throughout diplomatic quarters in North Korea were groundless.

The BANGKOK POST and THE NATION of Thailand quoted a foreign diplomat as saying that no such thing had happened and it is only a rumor.

### DLP Official Comments on North Succession, Aid

*SK2308015494 Seoul YONHAP in English 0104 GMT 23 Aug 94*

[Text] Tokyo, Aug. 23 (YONHAP)—A chief policymaker of South Korea's ruling party said Tuesday the Seoul Government need not propose inter-Korean summit talks at present because of the uncertainty over North Korea's new leadership.

Rep. Yi Se-ki of the Democratic Liberal Party said in an interview with the NIHON KEIZAI [SHIMBUN], a Japanese economic daily, that he does not see any necessity to push for an inter-Korean summit as the situation in North Korea remains uncertain, citing Kim Chong-il's delayed succession to the posts of state president and Workers' Party general secretary and rumors of his health problems.

Referring to the provision of assistance in transforming North Korea's nuclear reactors into a light-water system, Yi emphasized that Japan should finance a considerable share of the project from the standpoint of bearing a part of peacekeeping expenses for northeast Asia. He made the remark, saying, "South Korea is willing to share half the cost."

"It is desirable to adopt the South Korean model of light-water reactor in the North Korean nuclear reactor program with a view to expanding inter-Korean exchanges," he stressed. "I believe the United States would persuade North Korea to move in that direction."

## DPRK's Kim Pyong-il Reportedly Seeks Asylum

*SK2408123794 Seoul KBS-1 Television Network in Korean 1201 GMT 24 Aug 94*

[Text] Seoul KYONGHYANG SINMUN dated 25 August reports that Kim Pyong-il, a half brother of Kim Chong-il, and North Korean ambassador to Finland, has recently sought asylum in Austria. The Agency for National Security Planning has completely denied this report.

### Alleged Defection Reports Denied

*SK2408124894 Seoul YONHAP in English 1236 GMT 24 Aug 94*

[Text] Seoul, Aug. 24 (YONHAP)—An official of the Agency for National Security Planning (NSP) said Wednesday evening he had no information to back up the Beijing-datelined report that Kim Pyong-il, half brother of North Korea's Kim Chong-il, has sought a political asylum in Austria.

"It has been known that Kim Pyong-il performs his ambassadorial duties normally in his host country, Finland," the official said.

A Chongwadae [presidential offices] official said he had heard nothing about the alleged defection by Kim Pyong-il.

"The credibility of the Beijing source who spoke of Kim Pyong-il's defection is questionable," the official said.

Meanwhile, a North Korean Embassy official in Finland denied as "ridiculous" the press report of Kim Pyong-il's defection.

Reached by the YONHAP News Agency over the phone, the official said, "Why should Ambassador Kim Pyong-il seek a political asylum in elsewhere? He is well here."

Ambassador Kim has not gone to a third country from Finland, he added.

## 'Sources': PRC Reluctant To Trade With North

*SK2408105494 Seoul YONHAP in English 1047 GMT 24 Aug 94*

[Text] Moscow, Aug. 24 (YONHAP)—Relations between North Korea and China have partially cooled, especially in the area of economy, the ITAR-TASS News Service reported here in a dispatch from Beijing on Wednesday.

Quoting sources in Beijing, the report said China's economic circles are reluctant to do trade with Pyongyang.

In fact, the representatives of Chinese external trading firms have been under the instructions to avoid signing of contracts for large-scale dealings during trade negotiations with North Korea, the sources were quoted as saying.

The sources reportedly said the reason China shuns commercial dealings with North Korea is that North Korea, suffering from a serious economic crisis, in effect lacks payment ability.

China's exports to North Korea in the first five months of this year amounted to 175 million dollars, down about 30 percent from the like period of last year.

They said that after the death of Kim Il-song China seems to have decided to keep its distance from North Korea while maintaining, nevertheless, the traditional amicable relations with Pyongyang.

An expert at the China Academy of Social Sciences told ITAR-TASS that China had urged the North Korean leadership on numerous occasions to do economic reforms at the soonest possible time, but to no avail thus far.

China increasingly emphasizes brisk contacts with South Korea instead, the ITAR-TASS report added.

## Decrease in PRC Grain Export to North Reported

*SK2208101494 Seoul YONHAP in English 0843 GMT 22 Aug 94*

[Text] Beijing, Aug. 22 (YONHAP)—Chinese grain exports to North Korea have fallen drastically this year, a monthly economic newsletter published by the South Korean Embassy in China said Monday [22 August].

Quoting statistics from the Chinese Customs Administration, the Korea-China Economic Information newsletter revealed China's total grain exports to North Korea during January-May this year amounted to a mere 7,443,000 U.S. dollars, down 87.8 percent from 60,810,000 dollars in the same period last year.

During the period, total Chinese exports to North Korea came to 177 million dollars, down 31.9 percent from the previous year due to a drastic reduction in such major export items as cereal products and electric equipment and parts.

Meanwhile, China's imports from North Korea during the first five months of this year registered 87 million dollars, a 1.7-percent decrease from a year earlier, the newsletter revealed, adding that total trade between the two countries dropped 24 percent to 267 million dollars.

The paper ascribed the drop in Chinese grain exports to diminished exports of North Korean steel, cement and coal to China that had been conducted in the form of countertrade for Chinese cereal products.

Accordingly, the food shortage in North Korea has worsened and Pyongyang has reportedly asked for Beijing's assistance in supplying food and petroleum.

### Russia, North 'Poised To Conclude' Forest Pact

*SK2408030394 Seoul YONHAP in English 0116 GMT 24 Aug 94*

[Text] Moscow, Aug. 23 (YONHAP)—Russia is poised to conclude a totally new forestry agreement with North Korea that addresses problems related to North Korean loggers, Russian Foreign Ministry Spokesman Grigory Karasin said Tuesday.

Moscow is optimistic about the conclusion of such an accord, Karasin said in a regular press briefing, adding that Russia is interested in cooperating with North Korea in the forestry business.

Karasin did not supply details of the agreement involving the loggers, but provisions protecting their human rights are expected to be included.

North Korea and Russia are negotiating to conclude a new forestry agreement by Sept. 1.

### Russia To Allow Defection of DPRK Loggers

*SK2308014994 Seoul YONHAP in English 0111 GMT 23 Aug 94*

[Text] Moscow, Aug. 23 (YONHAP)—The Russian Government has decided to allow North Koreans who escape from logging camps and wish to defect to South Korea to do so if and when their identities are confirmed, a diplomatic source here said Tuesday.

Russia recently confirmed the policy after related ministries met to discuss how to deal with the North Korean loggers, according to the source.

Moscow will not stand in the way of North Korean loggers wanting to defect who have resided in Russia for a considerable period of time if they have documents to prove their identities, the source said.

Some North Koreans, however, may experience difficulty going to South Korea if they lack identification documents or if they have not obtained permission for a long-term stay from the Russian Government, the source predicted.

About 20 North Koreans have defected to South Korea so far in accordance with the Russian policy.

The number of North Koreans who have escaped from logging camps and asked to defect to South Korea directly or indirectly comes to about 90. They are currently hiding in Russia, Kazakhstan and Uzbekistan, according to the source.

Pyongyang has been sending workers to Siberian logging camps under a forestry agreement with Moscow but many of the loggers have escaped, citing widespread infringement of their human rights.

North Korea and Russia are negotiating to conclude a new forestry agreement by Sept. 1.

### Russian Vice Foreign Minister on Defector Issue

*SK2408003294 Seoul YONHAP in English 0024 GMT 24 Aug 94*

[Text] Moscow, Aug. 23 (YONHAP)—Five North Korean loggers who worked in Russia's far eastern region had left the country with Moscow's permission as of Tuesday [23 Aug], Russian Vice Foreign Minister Aleksandr Panov said Tuesday.

Panov said anyone residing in his country has the right to leave Russia in accordance with its laws, and this also applies to North Korean workers who escape from Siberian logging camps.

If the loggers want to receive an exit permit, however, they should first undergo identity clearance by the Russian authorities on internal affairs, he said.

### Another DPRK Logger Defects; Arrives in Seoul

*SK2208082194 Seoul YONHAP in English 0529 GMT 22 Aug 94*

[Text] Seoul, Aug. 22 (YONHAP)—A North Korean logger, who recently fled Siberia, arrived here through a third country Monday [22 August] afternoon.

The logger, identified as Han Chol-kil, worked at a Siberian camp before escaping to a region in the Commonwealth of Independent States (CIS).

He had taken legal steps to come to South Korea via a third country, according to the Foreign Ministry.

The ministry said it granted asylum to Han from a humanitarian point of view and would maintain a similar position in handling North Korean loggers seeking resettlement in the South.

It did not provide any further information on the logger for reasons of his personal safety and at the request of the foreign countries involved.

### Plans To Deal With North Refugees Considered

*SK2108052194 Seoul CHOSON ILBO in Korean 21 Aug 94 p 2*

[Text] It was learned on 20 August that the government is now considering formulating overall plans to prepare for the influx of North Korean refugees resulting from economic crisis or political unrest.

A high-level government official stated on 20 August: "We cannot rule out the possibility of an influx of North Korean refugees if an emergency situation occurs within North Korea." He added: "It is most likely the refugees will come to South Korea via sea routes." He also stated the government has begun to examine preparatory work to deal with them, ranging from relief work to preparing for their settlement in South Korea.

As a first-phase measure, the government has decided to save the refugees if they come to South Korea via the high seas or ROK territorial waters, getting them out of North Korea's territorial waters. As a second-phase measure, it has decided to make them stay at public welfare facilities for the time being in order to prepare their settlement process into South Korea, including the issuance of identification cards once their personal background is confirmed. It is expected that in the course of all this, if the government learns the refugees have relatives in South Korea, it will actively promote their reunion. It has also been learned that the government's plans for refugees are being formulated as part of a "crisis management plan" to deal with possible political disturbances in North Korea.

### DPRK Denies Funding German Plutonium Smuggler

*SK2408113894 Seoul KBS-1 Radio Network in Korean 1105 GMT 24 Aug 94*

[Text] North Korea stated German media reports that a German arrested on a charge of smuggling plutonium received operational funds from North Korea have been fabricated [nalcho].

North Korea's Korean Central News Agency [KCNA] monitored in Tokyo insisted: "The report by German media is aimed at deterring efforts to ease tensions over the North Korean nuclear issue. North Korea has already proved its sincerity [chinsilsong] in nuclear negotiations with the United States."

### Seoul To Improve Information Collection on North

*SK2408080294 Seoul YONHAP in English 0715 GMT 24 Aug 94*

[Text] Seoul, Aug. 24 (YONHAP)—With rumors of something unusual happening in North Korea flying thick and fast, the government has decided to strengthen its gathering of intelligence on the North to prepare for any eventuality.

The government made the decision after confirming the recent news report that anti-Kim Chong-il fliers were distributed at foreign embassies in Pyongyang, an official said.

To ascertain whether the leaflets have anything to do with Kim Chong-il's ascent to power or the North Korean people's rating of him as their next leader, the government will beef up intelligence agencies' collection of data on the North while promoting exchanges of related information with China, Russia and other countries that maintain diplomatic missions in Pyongyang, as well as with the United States, Japan and Germany, he added.

"That leaflets saying down with Kim Chong-il!' were scattered in the diplomatic district of Pyongyang has been confirmed," he said, "but we need information indicating whether or not this was part of an organized anti-Kim Chong-il movement. It appears something unusual is happening in North Korea's process of transferring power to Kim Chong-il, though the development of this process still remains to be seen."

He added, "Beijing seems to share this view of the North's power transfer process. There were wallpapers and fliers opposing the Kim family's dictatorship in a generational succession while Kim Il-song was alive, chiefly in factories and cooperative farms. But the scattering of anti-Kim Chong-il leaflets at the foreign embassies' compound tells something significant."

The National Unification Board (NUB) and related government agencies have attached importance to the leaflets' wording against Kim Chong-il's hereditary right to assume power in a socialist country, and are set to gather information on those members of the Workers' Party leadership who had been purged for opposing Kim Chong-il's hereditary right to take power, or for their involvement in other anti-Kim Chong-il movements when Kim Il-song was alive, in order to prepare for any unusual developments in the North.

A NUB official said, "The anti-Kim Chong-il leaflets will lead to intensified ideological supervision and control of the people, and it appears Kim Chong-il is still in control of Pyongyang in spite of the leaflet incident."

### Seoul Prepares for North 'Abnormal Developments'

*SK2408062994 Seoul YONHAP in English 0606 GMT 24 Aug 94*

[Text] Seoul, Aug. 24 (YONHAP)—The government is preparing multi-faceted measures to cope with possible "abnormal developments" in North Korea's power transition process following press reports that anti-Kim

Chong-il leaflets were recently scattered near foreign missions in the capital of Pyongyang.

The government regards the reported incident as an important clue in measuring the future direction of inter-Korean relations. Officials see it to be signalling the presence of organized forces opposing the new Kim Chong-il leadership in the North.

Reacting quickly to the latest development in the North, related government organizations are mobilizing all diplomatic and information channels to follow up on developments inside the reclusive country.

Chongwadae [presidential offices] officials say they cannot make a correct prognosis on the North's internal affairs due to a dearth of follow-up information, other than the alleged scattering of fliers proclaiming "down with Kim Chong-il" as revealed through a diplomatic channel in Seoul.

However, the officials say there must be something wrong with the process of Kim's succession to power in view of the fact that leaflets denouncing the patrimonial power transfer were distributed near foreign diplomatic missions, areas to which only people of priviliged class are allowed access.

In the past, written or wall papers criticizing Kim Il-song and Kim Chong-il were put up, but only in factories or at cooperative farms, an official explained. "This is the first case of anti-Kim leaflets being distributed to the foreign diplomatic missions," he said.

He also cited as strange the recent North Korean Broadcasting Station warning against "conspirators and ambitious persons" in connection with the fulfillment of the North's revolutionary tasks.

Saying that even "China, the country closest to North Korea, doesn't seem to know the reason for the delayed power transition of North Korea," he emphasized "this is the result of North Korea's thorough blockade of information to the outside world."

Officials at the National Unification Board (NUB), judging the alleged distribution of anti-Kim leaflets to be a meaningful development, kept monitoring North Korean radio from early Wednesday morning.

NUB officials believe that the "leaflet scattering" may be a sign that an anti-Kim faction is beginning to emerge. They note a North Korean Central Broadcasting Station commentary saying, "...treacherous acts by ambitious people and schemers..." came out on Sunday, a day after the leaflets were reportedly distributed.

Certain officials speculated that some of the elite in Pyongyang pursuing radical reform and a complete opening may be trying to take the initiative from Kim Chong-il and his followers, who prefer a careful opening within the framework of the current system.

The Foreign Ministry has unofficially confirmed that leaflets calling for the ouster of Kim Chong-il were distributed in the diplomatic area of Pyongyang, adding, though, that "there is no need to attach too much meaning (to the leaflets)."

The ministry has determined only that the leaflets were distributed and could not get information on their content and number, said a ministry official.

The news, reported to the government of a western country by its Pyongyang mission, was obtained unofficially through diplomatic channels, the official said.

Ministry officials, however, see no major problems in the transfer of power to Kim Chong-il, although the leaflets must have been the work of forces disgruntled by the longstanding dictatorial rule by Kim Il-song and the North's ultra-closed society.

Talk is circulating among diplomats in Pyongyang that Kim Chong-il remains in control of the country and that the delay in the power transfer is due to the fact that the mourning period for his father has yet to end, the official said.

An official cautiously raised the possibility that Kim Chong-il himself might have ordered the leaflets distributed in a plot to eliminate those who oppose his reign.

Others, however, downplayed the plot theory because the fliers denounced the Pyongyang regime for the hereditary power transfer, insisting that this is unacceptable in a socialist country.

## NUB Studies Formula for Structural Reform

*SK2308050694 Seoul YONHAP in English 0443 GMT 23 Aug 94*

[Text] Seoul, Aug. 23 (YONHAP)—The National Unification Board (NUB) is studying structural reform with a view to reinforcing its functions in preparation for reunification.

A restructuring of the NUB is under study in view of the great changes on the Korean peninsula following the death last month of North Korean leader Kim Il-song, as well as Seoul's normalized relations with Russia and China, a board official said Tuesday.

The organizational reform formula calls for drastically strengthening the roles and functions of the current North-South talks secretariat bureau, and for having the unification research institute establish medium- and long-term unification policies. The institute is now engaged mainly in providing public information on unification issues.

The reform formula was prepared by the NUB Development Committee, chaired by Vice Minister Song Yong-tae.

Also envisaged under the formula are an upgrading to the vice-ministerial level of the directorship of the

South-North talks secretariat bureau, and the securing of expert staff from related government agencies.

The unification board plans to finalize the reform formula following a meeting with the ruling Democratic Liberal Party next Monday, and will have it approved during the upcoming National Asembly session opening next month.

The ruling party, however, has reacted negatively to the reform formula on the grounds that it runs counter to the administration's policy of small government, and that it might lead merely to an increase in manpower.

### Security Policy Meeting Postponed Indefinitely

*SK2408004994 Seoul YONHAP in English 0038 GMT 24 Aug 94*

[Text] Seoul, Aug. 24 (YONHAP)—The Unification and Security Policy Coordination Committee (USPCC) meeting slated for Wednesday morning has been postponed, a government official said.

Announcing the postponement Wednesday morning, the official said the meeting would be held this week though he did not know whether it would take place Wednesday afternoon, Thursday or Friday.

The government said Tuesday afternoon that Vice Premier and Unification Minister Yi Hong-ku would call a USPCC meeting Wednesday morning to discuss differences among government officials over the issue of the special inspections of North Korea's two undeclared nuclear sites and news reports of "something unusual" involving Kim Chong-il in North Korea.

Sitting on the committee are Foreign Minister Han Sung-chu, Defense Minister Yi Pyong-tae, Agency for National Security Planning Director Kim Tok and Chief Presidential Secretary Pak Kwan-yong, in addition to Vice Premier Yi.

### DPRK 'Pushing Ahead' in Expanding Panmungak

*SK2208082894 Seoul YONHAP in English 0637 GMT 22 Aug 94*

[Text] Seoul, Aug. 22 (YONHAP)—North Korea is pushing ahead with the expansion of "Panmungak," its building on the Northern side of the truce village of Panmunjom, a government official said Monday [22 August].

The North Koreans recently notified the United Nations Command (UNC) of their plans to do expansion work on Panmungak for three months from Aug. 20, according to the official.

The official said, "Since North Korea withdrew from the Military Armistice Commission last May and established the Korean People's Army [KPA] Representative Mission at Panmunjom, it may be expanding the space for the representatives."

Pyongyang announced its withdrawal from the Military Armistice Commission on May 24, replacing its component of the body, and gave the UNC a list of the five military officials working as representatives.

### DPRK Realigns Foreign Investment Regulations

*SK2108044194 Seoul THE KOREA HERALD in English 21 Aug 94 p 8*

[Text] Despite its lingering frictions with Western countries over the nuclear question, North Korea has realigned laws and regulations related to foreign investment, making itself ready for partial economic opening once its talks with the United States register a substantial progress.

A report released yesterday by the Korea Institute for Legislation indicated that Pyongyang investment late last year and early this year. [sentence as published]

"North Korea has thus updated a system for expediting Western industries' investment in North Korea," the report said.

It noted that North Korea enacted a series of foreign-investment-related laws last year followed by the introduction last February of a set of regulations on foreign industrial branches at free economy-trade zones and taxation on foreign investment firms.

Last April, moreover, regulations on free trade harbors were legislated, the report said.

The refined laws, it said, feature the permission of not only direct investment but also a sort of indirect investment taking the form of joint venture, and even of foreigners' exclusive investment in free economy-trade areas.

The rewritten laws are taken to suggest that North Korea is bent on promoting partial economic opening.

However, such opening is bound to be limited in terms of efficiency inasmuch as the streamlined laws and regulations envision Pyongyang's intent to minimize their possible adverse impact on the political and social systems.

### Export of Personnel Carriers to Malaysia Planned

*SK2308081394 Seoul YONHAP in English 0745 GMT 23 Aug 94*

[Text] Seoul, Aug. 23 (YONHAP)—Some 240 million dollars worth of South Korean armored personnel carriers will be exported to Malaysia in separate parts, the Defense Ministry said Tuesday [23 August].

The ministry said Daewoo Heavy Industries, Ltd. will sign memoranda of understanding (MOU) with two Malaysian defense enterprises—Diversified Resources Berhad (DRB) and Malaysian Mining Corp. (MMC)—on local assembly of the carriers and maintenance support during the "Joint Committee Meeting on Cooperation in the Defense

Industry and Logistic Support" between the South Korean and Malaysian Defense Ministries.

The meeting is slated for Aug. 27-31 in Seoul.

According to the MOU, Daewoo and DRB will establish a joint venture plant in Malaysia that will assemble more than 400 armored personnel carriers with separate parts to be provided by Daewoo, ministry officials said.

The "K-200" armored personnel carriers were developed jointly by Daewoo and the Agency for Defense Development (ADD) in 1984 after five years of research and development, according to the ministry.

Meanwhile, at the meeting with Malaysia, the ministry plans to discuss ways to conclude a memorandum of understanding on cooperation in the defense industry and logistics and sign an agreement for bilateral logistics support for the navy.

Exchanges of surplus aircraft parts as well as technology on arms research will also be discussed at the meeting, the ministry said.

### MOTIE Launches 'All-Out Export Drive'

*SK2308080394 Seoul YONHAP in English 0624 GMT 23 Aug 94*

[Text] Seoul, Aug. 23 (YONHAP)—The Ministry of Trade, Industry and Energy [MOTIE] Tuesday [23 August] launched an all-out export drive with a view to achieving 92 billion U.S. dollars in exports this year, 500 million dollars above the original target of 91.5 billion dollars.

The drive was kicked off at a meeting of ministry officials in charge of exports, where Minister Kim Chol-su urged them to redouble their encouragement of export activities. He noted that although exports are increasing at a double-digit pace in the second half, the country might suffer a trade deficit at year's end because of a rapid rise in imports.

To attain the target, the ministry has hiked the export goal to Japan for semiconductors, chemicals and machinery, all of which have been on an upturn trend in recent months, by 300 million dollars to 13.6 billion dollars.

The export drive also calls for participation in industrial and commercial exhibitions held in Japan and the sending of more export promotion missions to that country.

### Ministry Reports Trade Deficit Nears $6 Billion

*SK2408080594 Seoul YONHAP in English 0652 GMT 24 Aug 94*

[Text] Seoul, Aug. 24 (YONHAP)—The country's trade deficit so far this year is nearly 6 billion dollars, bearing out a chronic trend in which surpluses are posted with developing states and shortfalls suffered with developed nations, the Ministry of Finance said Wednesday.

South Korea exported 55.4 billion dollars worth of merchandise during the Jan.1 - Aug.22 period with imports reaching 61.4 billion dollars, the ministry said.

The deficit of 5,995 million dollars thus far this year is up 54 percent from the shortfall of 2,093 million dollars during the same period in 1993, according to the ministry.

Total exports so far in 1994 have climbed 13.2 percent over the same period last year, accounting for 61 percent of this year's export target of 91.5 billion dollars.

Imports are up 16.2 percent or 8,574 million dollars compared with the same period last year, amounting to 65 percent of the total expected imports of 95 billion dollars, the ministry said.

Arrivals of Letters of Credit (L/Cs) came to 2,297 million dollars during the Aug. 1-15 period, a 9.1-percent rise over the same period last year, while import licenses issued during the same period reached 3,613 million dollars, up 45.0 percent from 1993.

The trade shortfall with such advanced partners as the United States, Japan and the European Union [EU] reached 8,725 million dollars during the first seven months of this year, more than twice the deficit of 4,260 million dollars incurred a year earlier, the ministry pointed out.

The total deficit breaks down to 6,761 million dollars with Japan, 1,567 million dollars with the EU and 396 million dollars with the United States.

South Korea, however, continues to maintain trade surpluses with China—412 million dollars—and other developing countries, said the ministry.

A ministry spokesman said the country's exports are continuing to grow along with the overall economic recovery and the prolonged strength of the Japanese yen.

However, he said that industrial disputes at some companies had caused a loss in the export increase rate. "It would be difficult for the country to improve the trade balance during the latter part of the year, considering the rising prices of raw materials in the world market and the increase rate of imports continuously overwhelming the export increase rate," he noted.

### Finance Ministry Revises Investment Regulations

*SK2308005794 Seoul THE KOREA TIMES in English 23 Aug 94 p 9*

[Text] In a move to attract more foreign investment, the government has revised related regulations so as to give more tax incentives to foreign enterprises wishing to do business here.

The Ministry of Finance [MOF] said it will establish a "comprehensive foreign investment supporting center" inside the MOF to exclusively deal in foreign direct investment restriction procedures.

The revision will be put into practice from next April after the regular fall session of the National Assembly approves it.

Under the amendment bill, foreign firms which will invest here will be given a 100 percent credit in corporate and income tax for five years after they begin business and 50 percent for three years after the first five years.

At present, the government gives a 100 percent tax credit for only three years after they begin business and 50 percent for the next two years.

In addition, it will give 100 percent corporate and income tax reductions on profit dividends for five years and 50 percent for the next three years. Tariffs on capital goods imports by foreign firms will be exempted 100 percent, it added.

If foreign-invested firms do not make an income within five years after they begin business, the period for tax incentives will be extended to another five years.

They will also be given 100 percent exemptions of taxes on land and buildings for five years and 50 percent for the following three years.

However, the MOF decided to halve the number of business lines eligible for the tax reduction from the current 83.

The ministry will change the scope of business lines eligible for the tax favors from the current high-tech businesses to those firms which can help Korean firms' competitiveness and those businesses without whose support Korean firms cannot develop their own technologies, officials said.

They said it will set up foreign investment promotion centers at each provinces and cities across the nation that will help simplify the foreign investment procedures.

## Reportage on Hyundai Labor Problems Continues

### Talks Break Up Over Violence

*SK2208114094 Seoul YONHAP in English 1052 GMT 22 Aug 94*

[Text] Ulsan, Aug. 22 (YONHAP)—The union and management of the strike-stricken Hyundai Heavy Industries Co. here resumed negotiations Monday [22 August] afternoon but failed to reach any accord.

The futile talks took place amid spreading physical clashes between pro- and anti-strike unionists.

At the negotiations that began at 2 P.M. [0500 GMT], the management told the union there would be no agreement unless the union stops assaulting those unionists who have returned to work.

On the other hand, the union asserted that the violence was due to the management's unreasonable and unilateral decision to resume the operation of the shipyard.

In intra-union violence that erupted at 15 separate plants, about 40 workers were injured, some seriously.

The number brought to about 70 the total of those injured since workers began to return to work last Wednesday.

Hardline unionists, in groups of about 20 to 150, many riding motor-bikes and carrying steel pipes or wooden sticks, stormed into plants where work had resumed and attacked those at work at random.

Because of the violence, about 10,000 workers who reported to work earlier in the day at the company's decision to resume work beginning Monday, had to hurry away from their work sites.

Despite the violence by hardline unionists, the number of those union members who resist the protracted strike was rising steadily.

As of Monday a total of 13,076 unionized employees, about half of the total 26,000 workers, signed a resolution calling for an immediate end to the two-months-old strike, a worker who he said speaks for anti-strike unionists said.

The union and management plan to resume their talks at 2 P.M. Tuesday. But, prospects are not so bright.

"We cannot agree to any agreement so long as the union carries on violence tactics," a company executive said.

A union leader said that if no overall agreement is hammered out at Tuesday's talks, many unionists would go to Seoul to mount a struggle against the government to get the "no work, no pay" principle removed.

### Possibility of Clash 'Growing'

*SK2208081894 Seoul YONHAP in English 0311 GMT 22 Aug 94*

[Text] Ulsan, Aug. 22 (YONHAP)—The possibility of a clash between strikers and non-strikers at Hyundai Heavy Industries [HHI] Co. is growing as some 15,000 employees, including non-union members, reported for work on Monday [22 August], the 60th day of the labor strike.

Their return to work ran contrary to the union's instruction on the work stoppage, which has lasted two months following a series of ruptures in negotiations between labor and management.

Of the company's total 26,000 workers, 20,000 have reported to their workplaces with some 10,000 unionists and 5,000 non-union employees taking part while 5,000 others are abiding by the union's order to continue the strike, company officials disclosed.

The union is attempting to persuade its members who have returned to work to again join the strike. A collision is feared as radical union members look set to mobilize certain groups to deter normal operations.

Indeed, a clash between union members took place around 10 A.M. Monday [0100 GMT 22 August]. As of Monday morning, 10 skirmishes between workers had left 30 persons injured during the strike period.

Labor and management will make another attempt to negotiate a wage increase and collective bargaining deal at a meeting slated for 2 P.M. Monday.

### HHI Labor, Management Compromise

*SK2408051594 Seoul YONHAP in English 0401 GMT 24 Aug 94*

[Text] Ulsan, South Korea, Aug. 24 (YONHAP)—The two-month labor dispute at Hyundai Heavy Industries Co. (HHI) came to a dramatic end Tuesday, as labor and management reached a compromise agreement in the eleventh hour of last-ditch negotiations that evening.

The agreement, under which management will drop the legal action taken against union leaders in return for the union's promise to abide by the "no work, no pay" policy of the company, will be referred to the Union's General Assembly Thursday for approval. It is expected to get the assembly's go-ahead because a majority of the unionists, who had already grown tired of the lengthy strike, returned to their workplaces during the stoppage.

The unionists will start a six-day summer vacation Friday before normalizing operations at the nation's largest shipyard on Thursday next week.

The salient points of the agreement include an 11.3-percent wage increase, the addition of special job allowances to the annual 700- percent bonus, the payment of a 100-odd-percent special bonus when the sales goal for this year is achieved and an extra contribution of 3 billion won to the employee welfare fund.

### 'Tentative Agreement' Reached

*SK2308134394 Seoul YONHAP in English 1233 GMT 23 Aug 94*

[Text] Ulsan, Aug. 23 (YONHAP)—A light is finally seen in the long tunnel of a labor dispute that has rocked the Hyundai Heavy Industries Co. here for two months as the union and management reached a tentative agreement Tuesday [23 August] evening.

A company source said that the union accepted in principle the management offer that it would drop lawsuits against union leaders and would add 7,000 won in the form of bus fares to its pay raise plan.

The union had demanded that the management, among other things, drop lawsuits and pay wages covering the strike period instead of sticking to the "no work, no pay" principle.

The tentative agreement is expected to be put to a unionists' vote, which is sure to be adopted as more than half of the 22,000 union members grew fed up of the protracted strike and favor immediate return to work.

### Kim Instructs EPB To Create Surplus Budget

*SK2308080994 Seoul YONHAP in English 0733 GMT 23 Aug 94*

[Text] Seoul, Aug. 23 (YONHAP)—President Kim Yong-sam Tuesday [23 August] instructed Economic Planning [Board] Minister Chong Chae-sok to formulate a surplus budget for next year to redeem the national debt.

The chief executive gave the instruction after being briefed on the Economic Planning Board [EPB]-prepared estimates of government revenue and expenditure for 1995.

The government must focus on stabilizing prices next year, while economizing on expenditure to redeem the government debt with the funds remaining after spending cuts, Kim stressed.

He told Chong to push for the surplus budget principle during consultations with the ruling Democratic Liberal Party and deliberation at the National Assembly.

Noting that 1995 is the third year of the five-year plan to build a "new economy," President Kim stressed the need for stepped-up efforts to further consolidate the new economy's base so that the country can be better prepared for national unification.

The government must support the training of specialists on inter- Korean relations in 1995 because it will be an important year in this area, he said.

The president, saying educated manpower will carry a heavier load in the coming era of limitless competition, told Chong to increase next year's education budget by 100 billion won so that the education budget accounts for 5 percent of the gross national product by 1998.

Regarding civil servants' pay increases, Kim said the government must take steps to raise its pay scale gradually to the level of government-invested enterprises by 1997, as planned earlier.

To boost military morale, he added, special allowances for servicemen working in difficult conditions and the operating expenses of military units must be raised to "realistic levels."

Stressing the need for increased tax revenues in spite of some tax rate cuts next year, Kim said the National Tax Administration must strengthen its tax collection efforts.

He also called for modernization of the police, especially their equipment, to deal more effectively with the increasingly sophisticated crimes being perpetrated.

Kim said the government must set aside sufficient funds for the information highway project, expansion of infrastructure and the celebration of the 50th anniversary of liberation from Japanese rule next year.

### Overall Unemployment Rate Reportedly Declines

*SK2408053994 Seoul THE KOREA TIMES in English 24 Aug 94 p 8*

[Text] Buoyed by an economic upswing, unemployment of college graduates is descending for the first time in one and a half years in step with a decrease in the overall jobless rate, according to official figures.

The jobless rate stood at 2.4 percent during the second quarter of this year, down 0.6 percentage point from the first quarter and 0.4 percentage point from the year before, National Statistical Office economists said yesterday.

Employed people rose 2.8 percent to 20,082,000 during the period. New employment largely took place in the construction, marketing and services fields with a 6.1 percent increase in the sector over the previous year.

The manufacturing sector saw new employment edge up 0.9 percent while the agro-fishery sector experienced 6.1 percent more unemployment.

Employment in the services industry accounted for 61.7 percent of the total, that in the manufacturing and mining industry 23.7 percent and that in the primary industry 14.6 percent, officials said.

The trend to higher unemployment among the more highly educated remained unchanged with the jobless rate for those completing middle schools reaching 1.2 percent, that for those with high school backgrounds at 2.9 percent and that for college and university graduates at 3.7 percent.

The jobless rate of college graduates was, however, down 0.7 percentage point over the preceding year, the first fall since the fourth quarter of 1992.

Pusan, clustered with firms in the declining footwear industry recorded the highest jobless rate of 4.5 percent followed by Kwangju and Taejon with 4 percent and Taegu with 3.7 percent.

Taegu's textile industry also has already lost competitiveness to newcomers including China in the international market. Kwangju is a poor city located in the politically disadvantaged Honam area, or Cholla-pukto and Cholla-namdo.

Unemployment was higher in all the six largest cities—Seoul and Inchon plus the four forementioned ones—than the national average. It ran at 2.6 percent in Seoul, 2.8 percent in Inchon and 4 percent in Taejon.

The average rate for the six cities was 3.2 percent, a 0.6 percentage point decrease from the same period of last year.

The resort island province of Cheju, where the service industry is well developed, registered the lowest jobless rate of 0.8 percent. The rural provinces of Chungchong-namdo and Kangwon-to also showed stable employment with the ratio of the jobless to their total residents aged 15 or higher being 0.9 percent and 1 percent.

The unemployment rate averaged 1.7 percent in the nine provinces. But the figures in the underdeveloped areas include a considerable number of persons half employed [as published] during the farming season and prone to unemployment.

### Students Urge University President To Resign

*SK2408114394 Seoul YONHAP in English 1110 GMT 24 Aug 94*

[Text] Seoul, Aug. 24 (YONHAP)—The General Student Council of Sogang University on Wednesday urged University President Pak Hong to resign as school president in connection with his recent series of remarks on chusapa (chuche thought faction).

In a wall poster appearing in the bulletin board near the front gate of the university, the student council asserted that no matter how pure the motivation of his remarks may be, the purpose, value and method of his remarks were in an utter mess, which it claimed disgraced the honor of the university.

The poster said the school president should produce telling evidence of his claim about chusapa or make an apology and leave the school.

School faculty members took away the wall poster around 3 P.M. but, when students protested the removal, the school authorities returned it to the student council about 30 minutes later.

### Editor Designated as Presidential Secretary

*SK2308091194 Seoul YONHAP in English 0835 GMT 23 Aug 94*

[Text] Seoul, Aug. 23 (YONHAP)—Kim Chol, vice managing editor of the international news desk at the CHOSON ILBO, was designated Tuesday [23 August] as the second presidential secretary for political affairs.

The second presidential secretary deals with matters involving opposition parties and organizations.

The previous second secretary, Kim To, resigned last month due to personal reasons.

### LDP's Kim Tok-yong Denies Mayorship Rumors

*SK2208090094 Seoul YONHAP in English 0737 GMT 22 Aug 94*

[Text] Seoul, Aug. 22 (YONHAP)—Rep. Kim Tok-yong of the ruling Democratic Liberal Party (DLP), who was recently appointed chairman of the party's Seoul city chapter, Monday [22 August] dismissed rumors that he may run for Seoul mayor next year.

Kim, who returned from a trip to China last Saturday, told reporters that "I myself do not think I'm the right man for the position" after visiting DLP headquarters in Yoido, central Seoul, to pay a courtesy call on Party Chairman Kim Chong-pil.

In his capacity as chairman of the DLP's Seoul city chapter, Kim discussed the standards and principles for selecting his party's candidate for Seoul mayor in next year's local elections for heads of provincial autonomous governments. "I think the right person would be someone who has administrative abilities to manage the huge Seoul city, who could show the people and Seoul citizens his dreams and hopes and present a vision for the management of the country."

Kim added that the party leadership will select the DLP candidate for Seoul mayor after hearing the opinions of party members through democratic procedures.

The chairman of the DLP's Seoul City Chapter also said he would work to have the party operate democratically by adopting the opinions of lower-level members so that party members can fully exercise their rights and perform their obligations in selecting DLP candidates for ward council members.

Referring to his recent tour of China, Kim said, "My impression is that China, which hopes North Korea remains stable, thinks what matters to the stability of the North is not a power struggle within the North but Kim Chong-il's health," supporting rumors that the North Korean leader has recently been in ill health.

## Key 1979 Incident 'Players' Countersue Accusers

*SK2108081494 Seoul YONHAP in English 0653 GMT 21 Aug 94*

[Text] Seoul, Aug. 21 (YONHAP)—More of those who have been sued for their active roles in the 1979 "coup-like" action led by Chon Tu-hwan, then commander of the Defense Security Command, brought countercharges against their accusers Sunday.

Hwang Yong-si, one-time chairman of the Audit and Inspection Board (BAI) and commander of the first corps at the time of the incident, and five of his colleagues sued their two accusers—Chang Tae-wan, then commander of the capital garrison command, and Kim Chin-kyu, Army provost marshal at that time.

They claimed in the lawsuit that "it was with the intent of insurrection that Chang Tae-wan and Kim Chin-kyu sought to mobilize troops and attack the Defense Security Command and the 30th security group of the capital garrison command in an attempt to obstruct a rightful investigation of then Army Chief of Staff Gen. Chong Sung-hwa."

Hwang and his co-accusers asserted the arrest of Gen. Chong was the "rightful act of law enforcement" designed to look into his suspected involvement in the assassination of President Pak Chong-hui.

In another counteraction, Sin U-sik, then director of the office of security at the Special Forces Command, sued Chong Sung-hwa and 21 others on libel charges.

Sin insisted that the charges were totally groundless that he helped arrest Special Forces Commander Chong Pyong-chu in collusion with Chon Tu-hwan's forces and thereby took part in the act of insurrection.

He said he was not in the office of Chong Pyong-chu's aide-de-camp when third airborne brigade troops, joining with Chon Tu-hwan's men, arrested their immediate Commander Chong Pyong-chu.

Ten other key-role players in the Dec. 12, 1979 incident previously counter-sued their suers in three separate lawsuits since late last month.

## Chun, No Fail To Meet Questionnaire Deadline

*SK2208080894 Seoul YONHAP in English 0243 GMT 22 Aug 94*

[Text] Seoul, Aug. 22 (YONHAP)—Former Presidents Chon Tu-hwan and No Tae-u, having failed to submit replies to a prosecution questionnaire involving the Dec. 12, 1979, incident by the Monday [22 August] deadline, have been asked to do so by the end of this month.

The instruction was given to the two former general-turned-presidents Monday by the Seoul District Prosecutor's Office, which is handling a suit on the Dec. 12 coup d'etat-like incident and a countersuit.

The Seoul District Prosecution plans to conclude its investigation of the suit by mid-September and then determine whether to take legal action against 37 defendants including the two former presidents.

With regard to the countersuit filed against then-Army Chief of Staff Chong Sung-hwa and others, the Seoul prosecution plans to summon for questioning Rep. Ho Hwa-pyong, former Army Chief of Staff Chong and former Army Provost Marshal Kim Chin-ki sometime this week.

## Burma

### Singapore Trade, Industry Minister Visits

#### Visit To Expand Ties

*BK2208110794 Singapore BUSINESS TIMES in English 22 Aug 94 p 1*

[From Loh Hui Yin in Rangoon]

[Text] Singapore, already one of the largest foreign investors in Myanmar [Burma], is set to expand its business presence there.

Minister for Trade and Industry Yeo Cheow Tong, who leaves for Yangon [Rangoon] today, will present a set of proposals for bilateral economic cooperation to the Myanmar leadership.

His trip is a followup to Prime Minister Goh Chok Tong's official visit in March when the idea for bilateral economic cooperation was explored.

Mr. Yeo is chairman of the Singapore-Myanmar Economic Committee set up to promote bilateral ties.

It is likely the proposals will focus on the infrastructure needed to promote tourism in Myanmar, which is counting on the sector as a revenue-spinner.

A ministry statement said Mr. Yeo, who will be there till Friday, will be accompanied by representatives from the private sector consortium formed to undertake investment projects in Myanmar. It did not give further details.

He will witness the signing of two memoranda of understanding between two groups of Singapore companies and their Myanmar partners to set up joint ventures.

One of them involves NTUC Fairprice Cooperative which plans to establish a supermarket chain, while the other proposal will see RSP Architects Planners and Engineers codevelop an industrial estate.

A joint trade mission by the Singapore Chinese Chamber of Commerce and Industry, Singapore Indian Chamber of Commerce, and the Trade Development Board [TDB] will also be visiting Myanmar at the same time.

The 34-member mission is led by Kwek Leng Joo, who heads the Singapore Chinese Chamber of Commerce and is also managing director of Hong Leong International (HK) Ltd.

Companies taking part in the mission, the TDB's fourth to Yangon this year, come from sectors such as real estate banking and finance, food manufacturing, and tourism.

A TDB statement said that the mission's aims are threefold:

—cultivate and develop official and business contacts in Myanmar;

—explore areas for joint business cooperation;

—promote the exchange of ideas and information, and foster greater understanding between the two countries' business communities.

Spelling out the growth of business ties, the TDB noted that Singapore's investments to date amounted to about U.S. $300 million (S$450 million) [Singapore dollars], mainly in hotels and tourism-related projects.

Liang Court-Singapore Technologies is racing against time to complete a businessmen's hotel in the capital by year-end.

On the trade front, Singapore was Myanmar's second largest partner after China last year.

Bilateral trade grew by 19.4 percent from S$603 million in 1992 to S$720 million in 1993, due mainly to an increase in oil and non-oil domestic exports and reexports.

Bilateral trade in the first half of this year totalled S $382.3 million, a growth of 2.7 percent from a year ago.

#### Minister, Delegation Arrive

*BK2208152794 Rangoon Radio Burma in Burmese 1330 GMT 22 Aug 94*

[Text] Mr. Yeo Cheow Tong, minister of trade and industry of Singapore, and a 51-member high-level delegation arrived at Yangon [Rangoon] airport by air at 1235. The delegation was welcomed at Yangon International Airport by Brigadier General Abel, minister of national planning and economic development, and responsible personnel.

Mr. Yeo Cheow Tong, minister of trade and industry of Singapore, and delegation called on Brigadier General Abel, minister of national planning and economic development, at the latter's office at 1430. At the meeting, frank and cordial talks were held on improving economic relations.

The visiting Singaporean minister and party called on Lieutenant General Tun Kyi, member of the State Law and Order Restoration Council and minister of trade, at the latter's office at 1530 this evening and held frank and cordial talks on matters of mutual interest.

Lt. Gen. Tun Kyi, minister of trade, hosted a dinner in the evening at the People's Park Restaurant in honor of the visiting minister and entourage.

#### Meets SLORC Members

*BK2308165094*

[Editorial Report] Rangoon Radio Burma in Burmese at 1330 GMT on 23 August carries a report on the meetings with State Law and Order Restoration Council [SLORC] members and visiting Singaporean Trade and Industry Minister Mr. Yeo Cheow Tong and delegation in Yangon [Rangoon].

Senior General Than Shwe, SLORC chairman and commander in chief of the Defense Services, received Minister Mr. Yeo Cheow Tong and delegation at the Ministry of Defense's Dagon House at 1000 this morning.

Also present on the occasion were General Maung Aye, SLORC vice chairman, deputy commander in chief of the Defense Services, and army commander in chief; Lieutenant General Khin Nyunt, SLORC secretary-1; Lt. Gen. Tin U, SLORC secretary-2; Brigadier General Abel, minister of national planning and economic development; U Ohn Gyaw, minister of foreign affairs; Myanmar [Burmese] Ambassador to Singapore U Kyaw Myint; Thura U Aung Htet, director general of Protocol Department; and Mr. Thomas (Lee Wen Ho), charge d'affaires of Singapore.

Vice Admiral Maung Maung Khin, SLORC member and deputy prime minister, received the visiting Singaporean minister and delegation at the former's office this morning. At the meeting frank and cordial talks were held on economic cooperation matters. Also present at the meeting were Minister Brig. Gen. Abel, Ambassador U Kyaw Myint, and responsible personnel.

Lt. Gen. Khin Nyunt, SLORC secretary-1, received the Singaporean minister and delegation at the Ministry of Defense's Dagon House at 1400 this afternoon. Also present were Minister Brig. Gen. Abel, Minister U Ohn Gyaw, Ambassador U Kyaw Myint, Director General Thura U Aung Htet, and Mr. Thomas (Lee Wen Ho), charge d'affaires of Singapore. At the meeting discussions were held on bilateral economic cooperation matters.

The Singaporean delegation, led by Trade and Industry Minister Mr. Yeo Cheow Tong, called on Lt. Gen. Sein Aung, minister of industry-1, at the latter's office at 1100 this morning. They held cordial and frank talks on bilateral economic and industrial matters.

Visiting Singapore Chinese Chamber of Commerce and Industry mission, which accompanied Trade and Industry Minister Mr. Yeo Cheow Tong, called on Lt. Gen. Sein Aung, minister of industry-1, at his office at 1130. They held detailed talks with responsible personnel from the ministry on bilateral economic, industrial, and investment matters.

Singapore Trade and Industry Minister Mr. Yeo Cheow Tong and delegation called on Lt. Gen. Kyaw Ba, minister of hotels and tourism, at the latter's office at 1500 this afternoon and held cordial talks on promoting tourism.

In the evening, Minister Lt. Gen. Kyaw Ba, hosted a dinner at the Kandawgyi Hotel in honor of the guests.

### SLORC Releases Two From Moulmein Jail

*BK2308154394 Rangoon Radio Burma in Burmese 1330 GMT 23 Aug 94*

[Text] It has been learned that Nai Tun Thein and Nai Ngwe Thein, against whom action was taken under existing laws and who were serving their sentences, have been released from Moulmein Jail today after their remaining sentences were commuted in accordance with Declaration No. 11/92 of the State Law and Order Restoration Council [SLORC].

### Opposition Documents, Diskettes Confiscated

*BK2308161394 Rangoon Radio Burma in Burmese 1330 GMT 23 Aug 94*

[Text] It has been learned that 62 pieces of cut rubies and sapphires and Singapore $320 along with opposition documents and computer diskettes were seized from Dr. Khin Zaw Win, accused of involvement in fabricating and conveying erroneous impressions of government activities to foreign countries which appeared as news in 23 August newspapers.

The Singapore dollars, which he brought from Singapore, were undeclared at Yangon [Rangoon] airport, as he intended to sell them on the black market if necessary. He did not use the Singapore dollars, so he brought them back with him.

The sapphires and rubies, which were to be sold to friends in Singapore, were given to him by his wife who bought them from a jewelry store in Tamwe Market.

It has been learned that separate legal action will be taken against him for illegally carrying Singapore dollars and illegally taking out precious stones.

[Hong Kong AFP in English at 1502 GMT on 23 August adds that Dr. Khin Zaw Win is a former UN worker and that he was arrested on 4 July. It reports that he is also accused of "meeting foreign diplomats and journalists in Burma last year and giving them information critical of the State Law and Order Restoration Council [SLORC]." He is also accused of "giving false information to Japanese Professor Yozo Yokota, who was appointed by the UN Human Rights Commission to report on Burma." The report identifies other "dissidents" accused as Myat Mon Mon Soe, San San Nwe, Sein Hla Oo, and Khin Maung Swe.]

## Brunei, Malaysia & Singapore

## Malaysia

### Commentary Views Deputy Premier's Visit to PRC

*BK2308154694 Kuala Lumpur Voice of Malaysia in English 0810 GMT 23 Aug 94*

[Station commentary]

[Text] Malaysia's strong ties with China will be given another boost when Deputy Prime Minister Datuk Sri Anwar Ibrahim makes his first official visit to that country this week. The visit will underscore the importance Malaysia attaches in its relations with China. China's role in the world is now expanding and its importance in the affairs of the region is gaining prominence. The economic opportunities China provides are vast. Last year, its economic growth was 13.4 percent and what is significant is that the country has adopted an open-door policy of reform which provides countries like Malaysia opportunities to interact for mutual benefit.

Its openness to the outside world is in sharp contrast to its inward-looking and cold policy adopted in the past. This change of attitude has opened a new world, not only for its own people, but has made it possible for countries like Malaysia to better understand its policy and stand on important issues. It gives the outside world an insight into why China adopts a tough stand on controversial issues and its reasons for going against the normal thinking.

Malaysia is particularly keen to forge stronger ties with China and to share similar views on many international and regional issues. China, for instance, has been supporting for the Malaysia-proposed East Asia Economic Caucus, EAEC. The deputy prime minister's visit from Thursday to the end of this month is part of the ongoing process to strengthen the ties between the two countries and to intensify economic and trade relations.

Datuk Sri Anwar will be meeting not only the central leaders, but also leaders at the provincial level who will provide him with first-hand knowledge of the development taking place in China. Of particular significance is that included in his itinerary is a visit to Shandong, the second richest province after Guangdong and the second most populous.

[Words indistinct] in Malaysia engaged in joint ventures in Shandong. The visit will give further impetus to this relationship. Some of the businessmen accompanying the deputy prime minister have made advance trip to work out details which may be [word indistinct] during the visit. The visit comes at a time when economic ties between Malaysia and China are making great strides. For example, trade between Malaysia and China has increased quite substantially since last year. With the current volume exceeding U.S.$2.2 billion. The value of Malaysian investment in China is also increasing, and there are also some Chinese investment in Malaysia. Tourism is also increasing between the two countries. Last year, about 90,000 Chinese visited Malaysia, 150,000 to 190,000 Malaysians visited China.

Malaysia recognizes the potentials of attracting more tourists from China and promotional efforts have been carried out by Tourism Malaysia. Further developments are also in the cards. For instance, the money order service between Malaysia and China is expected to start at the beginning of next month, enabling Malaysians to send money to China and vice versa. This will further strengthen existing close relations between the two countries. China will be the 14th country to have money order service link with Malaysia. China has also played an important role in the establishment of the Malaysian satellite network.

Malaysia has also sought a continuous cooperation in advanced training facilities, especially in satellite and space technology. These crucial developments will propel relations between Malaysia and China to a higher level, bringing great benefits to the people of both nations.

## Singapore

### Japanese Speaker Doi Continues Visit

#### Meets Government Officials

*OW2308141994 Tokyo KYODO in English 1316 GMT 23 Aug 94*

[Text] Singapore, Aug. 23 KYODO—Japan's House of Representatives Speaker Takako Doi said Tuesday [23 August] she reiterated her call for a conference of Asia-Pacific speakers during her talks with Singapore leaders earlier in the day.

Doi, who met with Singapore's Speaker of Parliament Tan Soo Khoon, said the conference could promote mutual trust among countries in the Asia-Pacific region and tackle issues such as population growth and pollution.

Briefing Japanese reporters, she said she told Tan that Japan's participation in the conference is in line with Tokyo's hope to play a bigger political role in the region.

In response to a suggestion by Tan to resume a conference of parliamentary leaders, which was suspended after the first meeting in 1989, Doi said it is better to involve speakers rather than leaders of parliament because speakers have longer terms and play a more significant role in parliament.

Doi, who is in Singapore on the second leg of a three-nation tour that includes Malaysia and China, also said she told Tan that Japan needs to regain the trust of Asian countries before it can play a bigger role on the world stage.

"We've got to have a deep sorrow for the past and pledge not to repeat those mistakes in the future," she said, referring to Japan's invasion of Asian countries before and during World War II.

Doi also met Singapore Prime Minister Goh Chok Tong, who proposed that Japan invite youths from China to promote better understanding with the future generation of Chinese leaders.

Goh said China and Japan should not view each other as threats, and cited as an example the close, friendly ties between Singapore and neighboring Indonesia, which previously were antagonistic toward each other.

He also urged Japan to help in the development of China, which will emerge as a strong power in the future, saying a stable China is good for regional stability.

Doi, who also met Senior Minister Lee Kuan Yew, is expected to visit a memorial for civilian victims of Japanese military aggression during World War II and place a wreath.

She has already visited Malaysia and will leave Singapore for China on Wednesday.

### Lays Wreath at WW II Memorial

*OW2408111294 Tokyo KYODO in English 0954 GMT 24 Aug 94*

[Text] Singapore, Aug. 24 KYODO—Japanese House of Representatives Speaker Takako Doi on Wednesday [24 August] became the first Japanese member of parliament to formally lay a wreath at a memorial for the civilian victims of Japanese atrocities committed in World War II.

Doi, now on a three-day official visit to Singapore, laid a wreath of yellow chrysanthemums and white orchids at the tall, white tower, which holds the remains of civilian Singaporeans killed by Japanese soldiers who occupied Singapore from 1942 to 1945.

In the brief but solemn ceremony, the first Japanese woman lower house speaker, who was wearing a dark blue suit with white flowery patches, observed a few seconds of silence as a gesture of respect to the victims, laid the wreath and bowed.

After that, she spent a few minutes surveying the memorial, a four-column 61-meter-high structure, which shelters a pillar with a large urn on top and four plaques on its sides. On the plaques were inscribed in four official languages a brief history of the memorial.

Previous Japanese leaders, including former Prime Minister Toshiki Kaifu who visited Singapore in 1991, cabinet ministers and members of parliament bypassed visits to the memorial in the past.

But Japanese Prime Minister Tomiichi Murayama is scheduled to lay a wreath at the memorial when he visits Singapore next week on his Asian tour.

These gestures are apparently aimed at quelling recent outrage following remarks by Japanese cabinet ministers who tried to speak favourably of the war, which caused a great deal of suffering to Asian people.

Later, speaking to reporters, Doi pledged that "Japan will never make the same mistakes or wage war again."

"This is a responsible position that we've got to take. Most of the Japanese people share my views. We've got to have the right perception of history," she said.

Many Chinese, who form nearly 80 percent of the island republic's population, still feel bitter about the war, which killed hundreds of thousands of Chinese in Singapore.

The memorial was unveiled Feb. 15, 1967, to mark the "Black Sunday" of 1942 when the British stunned local residents by surrendering to Japanese troops, which had been bombing the island for several days.

### Naval Exercise Agreement Signed With Philippines

*BK2308131794 Singapore Singapore Broadcasting Corporation in English 1100 GMT 23 Aug 94*

[Text] The Philippine and Singapore Navies have signed an exercise procedure document, or Exprodoc, to provide a common reference for signing and conducting exercises between them. The signatories were Flag Officer-in-Command of the Philippines Armed Forces Vice Admiral (Virginia Marcelo), and RSN [Republic of Singapore Navy] Rear Admiral Kwek Siew Jin. The rear admiral says the two Navies will conduct their first bilateral exercise next July in the South China Sea.

Admiral (Marcelo) is in Singapore for a farewell visit. He also called on Defense Minister Dr. Lee Boon Yang at Mindef [Ministry of Defense] this afternoon. Admiral (Marcelo) leaves for the Philippines tomorrow.

## Cambodia

### Situation of Khmer Rouge-Held Hostages Continues

### Australian Hostage Urges Negotiation

*BK2308143494 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 22 Aug 94*

[Text] It was reported that the Australian national who was taken hostage in Kampot has appealed to the Australian Government and particularly the governments of the three Western countries to negotiate with the Provisional Government of National Union and National Salvation of Cambodia, and not with the two-headed government, to solve the problem of the three foreigners by suspending all military aid to the two-headed government.

This Australian has made this appeal because:

1. He has seen the fine ethics and excellent code of conduct of the Cambodian people and National Army of Democratic Kampuchea in Kampot Province who behave themselves as patriots with no bias toward any people, be they Australians, French, or British. They only want to live in peace, as friends and brothers, with the Australian, French, British, and all other peoples and countries all over the world.

2. The Cambodian people want only to quickly end the war, which has caused great misery to them for more than 15 years now.

The three foreigners have seen with their own eyes the misery and suffering experienced by the people in Kampot Province as a result of the suppressive operations of the two-headed army and police. They have clearly seen how the people in Kampot Province have suffered from the communist Vietnamese war of aggression carried out for the past more than 15 years by the two-headed elements and some members of the Western alliance.

The three foreigners have seen with their own eyes and heard with their own ears the misery tearfully described to them by the people in Kampot Province.

3. They demand that the three countries abstain from giving military aid to the two-headed government. In so doing, they hope to quickly end the war and restore peace. If military aid continues to be given to the two-headed government, the war will never end, and the deaths and misery suffered by the Cambodian people will never end. If the war continues, no foreigners will have peace in Cambodia. This was true in the past, it is true now, and it will remain true in the future. Therefore, do not try to solve this problem indirectly, bit by bit. This problem should be solved right at the root of its cause, namely, by abstaining from giving any military aid to the two-headed government.

The three foreigners have clearly seen that Democratic Kampuchea does not want power. It wants only peace, national reconciliation, national unity, and the formation of a genuine national government made up of national forces from all tendencies.

### Phnom Penh 'Fully Responsible'

*BK2308143694 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 23 Aug 94*

[Text] The radio of the Provisional Government of National Union and National Salvation has for the second time received information from people in Kon Sat village, Kbal Romeas commune in Kampot Province, on the three foreigners. Here is the information.

1. We, the people of Kon Sat village, Kbal Romeas commune, Kampot Province, have meticulously provided information on the three foreigners in Kampot Province, in a spirit of responsibility toward the war and peace in Cambodia, as well as in our Kampot Province.

At the first time, we conveyed clear and detailed information on the three foreigners in Kampot Province. Then, the information providers talked about the essence of their policy and also set a clear schedule, namely that the issue of the three foreigners ought to be settled within 15 days. This is a very reasonable timeframe.

2. People in our Kon Sat village recently have received news for the second time from the information providers telling us that:

1. The essence of the first set of information was clear—i.e. the information providers want to settle the issue of the three foreigners on time, that is between 15 and 30 August 1994, or in 15 days. Fifteen days is long enough, considering the weather with lots of rain and constant storms and the living conditions of the three foreigners in remote areas, one of which is a constant battle zone. In particular, the two-headed government, at the order of communist Vietnam and the alliance, have begun to dispatch thousands of troops including infantry, tanks, armored vehicles, artillery pieces, and multiple rocket launchers that are constantly bombarding, to invade the area.

2. However, the information providers have been very patient and restrained with a spirit of lofty responsibility toward the nation and people and also toward the three foreigners. In fact, they are very angry. On the one hand, they are angry at the two-headed government and the alliance for sneering at them. The two-headed government and the alliance did not pay attention to the essence that would have really solved the problem of the three foreigners. They were evasive instead. At one point they said 50,000 dollars in ransom will be paid, then 150,000 dollars, then one million dollars, and yet again 650,000 dollars. They said whatever that came to their minds. They wanted to use money as a trick [words indistinct].

Also, the information providers are very angry with the statements of the two-headed government, namely Hun Sen, Chea Sim, Sar Kheng, and Ranariddh, and so on, and the insolence of army commanders in Phnom Penh and Kampot in dispatching thousands of invading troops to kill people, elderly men and women, and children. Hundreds of houses were burned. Numerous cattle were killed to prevent people from farming.

This information says this is what really make people very angry [words indistinct] the people ask for peace. But why did they sent guns and tanks to fuel the war and kill the people? This has been going on for 15 years. The communist Vietnamese have done this. UNTAC [UN Transitional Authority in Cambodia] did the same thing when it came here. The two-headed government has also been doing this since its birth. The alliance has also joined in. They rely on their large sizes and wealth, they look down on small and poor people. This is their nature. They will not change. In this case, only tit for tat would do. Only the guerrilla and people's war can instill sense to these people.

Our people have been defending themselves in the guerrilla and people's war. Our people also have political and diplomatic strategies, apart from other areas, to save our nation. Our people have good, clean, and brilliant minds. They are not like the minds of the aggresors and warmongers, and the two-headed government, lackey of foreigners who do what their masters order.

3. The information providers have stressed for the second time that the nine days given to settle the issue of the three foreigners have passed. In other words the 15, 16, 17, 18, 19, 20, 21, 22, and 23 August 1994 have passed. The two-headed government and the alliance have not thought about settling the issue. On the contrary, during the nine days, they have been carrying out maneuvers to spread psychological and deceitful propaganda to prolong the war. They seem to think this is a child's game.

The news providers say there are only six days left to the deadline. After that, they will not be responsible because of the rains, the constant shelling and attack, and the fact that the two-headed government have dispatched forces to constantly attack this zone.

Therefore, after 30 August 1994, the two-headed government and the three foreigners' governments shall be fully responsible for the three foreigners and their families. It will be like this now and in the future.

This is the end of the second batch of information conveyed by the people in Kon Sat village, Kbal Romeas commune.

### Ranariddh Says Troops To Remain

*BK2408112294 Hong Kong AFP in English 1037 GMT 24 Aug 94*

[By Philip McClellan]

[Excerpts] Phnom Penh, Aug 24 (AFP)—Co-premier Prince Norodom Ranariddh on Wednesday said government troops would remain in southern Cambodia during negotiations with the Khmer Rouge for the release of three western hostages.

"If we withdraw, the Khmer Rouge would advance, and then there will be a big problem," the prince told journalists outside the National Assembly. "So we'll leave troops here during the negotiations."

He also said he would propose a "no man's land" between government and rebel troops in the southern province of Kampot to facilitate bargaining for the release of the three western hostages.

The prince's statement followed a Khmer Rouge radio broadcast earlier in the day denying demands for a ransom, and warning that an August 30 deadline for negotiating the freedom of the hostages would not be extended. [passage omitted]

Prince Ranariddh said he did not have much hope for the early release of the three hostages, who were captured along with a number of Cambodians and three Vietnamese on July 26 in a guerrilla ambush on a train in Kampot province.

"In the beginning I was very optimistic because we were very close to resolving the problem," he said.

The prince announced on Monday that all journalists and diplomats would be banned from Kampot province for allegedly sinking government efforts to free the hostages, citing the intense media coverage of the affair.

There have been conflicting reports as to whether any Cambodians are still being held by the rebels, and a woman who claimed to have visited the rebel camp on Thursday said she saw no sign of the Vietnamese.

Prince Ranariddh also said Wednesday that 5,000 dollars would be sent to the southern province to pay for the government and military operation to free the hostages, but stressed that the money was not a ransom payment to the rebels.

Reports from Kampot have said that local authorities were turning to hotel and restaurant owners to help finance the operation, which the government claims involves some 10,000 troops.

On Tuesday the Khmer Rouge radio said the villagers holding the hostages were not after a ransom, but wanted to halt foreign military aid to Phnom Penh.

Australia, France and the United States have all agreed to supply non-lethal military aid to the Cambodian Government, which has been battling the Khmer Rouge since taking power in UN-sponsored elections in 1993.

### Military Helicopter Crash Points to 'Tale of Woes'

*BK2408064194 Phnom Penh CAMBODIA TIMES in English 21-27 Aug 94 p 4*

[Text] Contradictory information pertaining to a helicopter crash two weeks ago has unveiled a tale of woes on the part of the air force and helicopter pilots in general.

The helicopter, a Soviet made Mi-8, made an emergency crash landing in a rice field about eight kilometres from the airbase here in Phum Trapeang Kom commune, Banteay Rolea, in the district of Rolea P'ie.

The helicopter has bogged down in the soft earth and was awaiting to be lifted to the airbase here.

Investigations are currently underway to determine the cause of the crash, initially reported to be caused by sudden loss of hydraulic pressure.

Military sources near the air base told THE CAMBODIA TIMES that the helicopter crashed as it was grossly overloaded. The sources even alleged that the crew of the ill-fated aircraft had even sold a portion of the fuel and had retained just enough to enable it to fly from Siem Reap to the capital city of Phnom Penh.

This allegations were flatly denied as baseless by the helicopter's crew who came to this newspaper's office to clarify the crash incident with their own version.

The crew, headed by Long Vichit, said, "I want to say to the general public that allegations of the helicopter crew selling fuel is groundless and it was not overloaded."

"The helicopter crashed as we lost control, a result of sudden loss of hydraulic pressure and the aircraft's rotor was in an uncontrolable position."

The helicopter's engine is also nearing its expiry date and has about 50 flight hours left. Thereafter it will probably have to be mothballed," Vichit said.

He claimed that the helicopter has not been flown for about a month and that the type and make was almost forgotten by the aviation industry worldwide.

"We had taken the aircraft for a trial flight before leaving for the northern province of Preah Vihear. It was also the first time that we had five people sitting in the nose portion of the aircraft."

"Given the age of the helicopter, my fellow crew and I are proud of the ability to land the helicopter without any serious injuries to the 25 passengers, including eight wounded soldiers being evacuated from Preah Vihear to Phnom Penh," he added.

He said that the members suffered minor injuries such as sprains and strains.

All the passengers were safe but the helicopter's rotor was badly damaged as the aircraft collapsed on its side after crashing.

The Mi-8 is the only helicopter of its type here and was sent out to Preah Vihear to evacuate wounded soldiers who were injured in a Khmer Rouge ambush near the province.

It had stopped at Siem Reap airport for refuelling and had taken in approximately 1,800 litres and had consumed about 400 litres of fuel when it crashed.

"We could not land at the airbase as it would have caused more injuries, as result of the hard surface. We realised the problem when we were about 20 kilometres from the airport and the hydraulic systems began to behave strangely, Vichit said.

The log book of the helicopter was missing upon crashing and this has added mystery to the flight schedule and whether the crew had adhered to the planned course.

Colonel Ton Bonkea, commander of the air force company based at the airport here said that he was notified of the crash about 30 minutes after it had taken place.

Armed soldiers were sent out to the scene to secure the helicopter and the area as it is quite near Khmer Rouge infested areas. In fact, five Khmer Rouge guerillas had tried to approach the helicopter to destroy it.

"However, the timely arrival of armed government soldiers foiled their attempt," Colonel Bonkea said.

Military sources said that it was a past practice of helicopter pilots to carry more passengers and even cargo than specified. At times it was essential, particularly during the battles at Pailin and Anlong Veng but sometimes, it was purely for commercial reasons as passengers reportedly offer money for the trip.

### Ranariddh Comments on Planned Airport Projects

*BK2408055794 Phnom Penh CAMBODIA TIMES in English 21-27 Aug 94 pp 23, 24*

[Text] Pochentong international airport here will be given a massive facelift with the construction of a second terminal and a new runway.

As of late last week, the Royal Government has received four proposals for the construction and renovation of the existing airport terminal and ancillary works.

The airport, to be built entirely on a turnkey basis will be operated on a Build-Operate-Transfer (BOT) system and will span a period of 15 years.

In revealing this to the CAMBODIA TIMES, First Prime Minister Prince Norodam Ranariddh in an exclusive interview said, "The Royal Government has received proposals from several countries, including Malaysia, France and a large corporation from Australia, Fraser Thomas Airport Planning Pty Ltd [Proprietary Limited]."

"We are currently studying the various proposals. The proposals call for the renovation of the existing terminal and related works and will be carried out over a three year period for the first phase."

"The second phase will cost an estimated US$150 million over a five year period. However, we have not decided on the successful company yet. A committee will have a share of profits during the 15 year BOT period and this will be in several blocks of five years. The exact amount cannot be revealed at this moment due to competition," Prince Ranaridh said.

He added that earlier plans to build an entirely new international airport at Kompong Speu, along Highway 4 has been called off.

"This project has been moved from Kompong Speu to Pochentong. This is because, it will cost a lot of money and secondly, what will be the fate of the existing airport at Pochentong."

"Therefore, we will rehabilitate and renovate the existing Pochentong airport and the second phase will consist of the construction of a second terminal and runway which will stretch approximately 3,600 metres."

"We will keep our money for between three to five years and we will use this to build a new international airport at Siem Reap."

"As for Sihanoukville, the international airport there will be part of an integrated project which entails the construction of various facilities," he said.

The new and renovated airport terminals will have a combination of traditional and modern architectural facets and the covered apron for passengers to board and disembark from the jet planes, including 747's, will have a traditional umbrella design based on the throne room at the Royal Palace."

Sihanoukville has already seen the proposals submitted by at least six companies although the tenders has not been called for. This will see the construction of marinas, resorts, conference facilities, casino, and five-star hotels among others.

The renovation and construction of a second terminal is targeted at accommodating between 10 and 15 million air travellers a year. Pochentong is estimated to receive 300,000 passengers and 1,500 tonnes of cargo this year.

Prince Ranariddh said that despite the perceived security and instability problems, investors continue to come and knock at the CDC's [Cambodian Development Council] doors to invest their money here. The airport proposals are good examples of this.

## MAS May Help in Forming Royal Air Cambodge

*BK2408062594 Phnom Penh CAMBODIA TIMES in English 21-27 Aug 94 p 11*

[Text] Malaysia Airlines (MAS) could replace Singapore International Airlines [SIA] in the formation of the nation's sole flag carrier, Royal Air Cambodge (RAC).

SIA which had signed a letter of intent with the Royal Government to revive RAC which was flying in the sixties, had shown less interest in the project and had reportedly said that they might want to call it off.

First Prime Minister Prince Norodom Ranariddh, when speaking to the CAMBODIA TIMES in a wide ranging exclusive interview said, "SIA is less interested in helping to form RAC because of what they perceive as security and political instability."

"However, the final decision on SIA's participation or willingness will be made after August 25 when the new president of Kampuchea Airlines leads a delegation to SIA in an attempt to resolve the breakdown in talks."

"Thereafter, we will be looking at other interested parties. I have been told that Malaysia Airlines is very interested in the RAC project and I have been requested to bring up the issue with the Malaysian Prime Minister."

"However, we will have to wait for the talks in Singapore with SIA to be concluded first before moving for talks with MAS. If SIA will not come, I think it is possible for us to join hands with MAS," he said.

Prince Ranariddh added that upon the formation of Royal Air Cambodge, it will be the sole flag carrier of the nation. Kampuchea Airlines will be integrated into Royal Air Cambodge.

In the initial letter of intent with SIA signed last November, SIA would have had a 40 per cent stake in Royal Air Cambodge while the Royal Government would retain a 60 per cent stake. However, SIA would be in control of almost the entire airlines operations and airline related aspects such as inflight service, duty-free shops and international routes.

Prince Ranariddh said that the perspective is looking very good as tourists are coming back. Much more than that had been planned according to the situation. That is the reason why Kampuchea Airlines has already decided to lease with option to buy, two French-made ATR 72 aircraft. They have already wet-leased one ATR 72.

"This is to show that we are very confident with our country and the tourism potentials. The first aircraft will arrive in October while the second will arrive in December. Our pilots are now undergoing training in Toulouse, France."

"We are also negotiating with China to purchase two Y-7 aircraft. The aircraft will be used for internal flights as well as increased flights to the tourist destination of Siem Reap."

## Commentary Praises Ranariddh Visit to Malaysia

*BK2408030194 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 23 Aug 94*

[Political commentary: "A New Step in Cambodian-Malaysian Relations"]

[Text] Prince Krompreah Norodom Ranariddh, first prime minister of the Royal Government of Cambodia, returned home on 21 August after paying an official visit to Malaysia from 17 to 21 August. The main objective of the visit was to strengthen the friendly relations between the two countries and to discuss the development of bilateral trade. Ranariddh brought with him the recently adopted Investment Law in order to attract the support and investment of Malaysian investors.

During his talks with Ranariddh on 17 August, Malaysian Prime Minister Mahathir Mohamed promised to provide Cambodia with Malaysian experts to work as intermediaries for this country. The two prime ministers also agreed to bring Cambodia into ASEAN as soon as possible.

Four bilateral agreements were signed on development of economic and commercial sectors and cooperation in other areas. Cambodia urged Malaysia to invest in petroleum exploration, timber, coconut oil, rubber, tourism, irrigation, and air transportation. Two of four major agreements were signed. In the first, the governments agreed to protect investments from nationalization and to promote economic, technical and scientific cooperation.

Concerning the petroleum agreement, Petronas and the Cambodian Ministry of Industry, Mines, and Energy signed a technical assistance and oil exploration cooperation agreement.

It should be recalled that Malaysian investment in the Cambodian banking, communications, tourist, and shipping sectors amounts to $40 million [currency not specified]. It is expected that trade will increase in the wake of this visit.

The one problem remaining is the Khmer Rouge. During his visit to Phnom Penh on 15 April, Malaysian Prime Minister Mahathir Mohamed described this problem as one that is not frightening. This is because the Malaysian Government had the same bitter experience with communist rebels as the Royal Government of Cambodia is having with the Khmer Rouge rebels now. What is so alarming about the Khmer Rouge, who love to make exaggerated claims that do not match whatever deeds they might have done to create insecurity and fear among investors in Cambodia? The important thing is that the Royal Government has established a concrete foundation for Malaysian investors. This can be seen even more clearly through the positive remarks by Ranariddh in Kuala Lumpur.

Generally speaking, we hope that bilateral cooperation will become stronger through this visit and that the friendship will blossom further.

## Indonesia

### Jakarta Radio Reports on Suharto's Health

#### Suffering From Kidney Stone

*BK2408074594 Jakarta Radio Republik Indonesia Network in Indonesian 0700 GMT 24 Aug 94*

[Text] President Suharto has decided to cancel his plans to attend a summit conference on population and development in Cairo, Egypt because he needs to rest, especially because he has a stone in his urinary bladder.

The head of state was taken to the Gatot Subroto Army Hospital in Jakarta this morning to undergo a complete physical checkup. Speaking after the checkup, Minister-State Secretary Murdiono told reporters that in the last 10 days the president has complained about his health and therefore decided to undergo a checkup with a presidential team of doctors. Murdiono said the stone in the urinary bladder actually disintegrated by itself two days ago so follow-up action is unnecessary.

Meanwhile, Dr. Joko, one of the doctors in charge of the checkup, said the president also has a kidney stone, which will be examined in order to decide what further action should be taken. The checkup will be carried out during the course of the president's daily state duties. He said the team of doctors earlier planned to take the stone out of the urinary bladder, but because the stone disintegrated by itself the president is now enjoying normal health.

Due to his health situation, however, the president has decided to cancel his plan to attend the conference in Cairo because he needs to rest. The head of state was originally scheduled to leave Jakarta for Cairo on 3 September and return on 7 September. Minister Murdiono said the government will officially inform the Egyptian Government of his decision not to attend the Cairo conference.

#### Restricted to 'Routine Duties'

*BK2408065494 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 24 Aug 94*

[Text] The presidential team of doctors has proposed that President Suharto only carry out routine duties in line with the condition of his health. Speaking to reporters a short while ago, Minister/State Secretary Murdiono clarified that President Suharto has also decided not to go to Cairo to attend the upcoming international family planning conference.

According to Minister/State Secretary Murdiono, the head of state's health is good:

[Begin Murdiono recording] Briefly, at around 1000 this morning the president left [name indistinct] Hospital. With regard to the president attending the upcoming international family planning conference in Cairo in early September, because of his health condition, his need for much-needed rest, and the need for more follow-up medical checkups, the president has decided not to go to Cairo to attend the upcoming international family planning conference. This will be made known to the relevant organizing officials through diplomatic channels. With regard to upcoming visits by heads of state, the programs will be carried out as planned. I can also say that the president will definitely conduct his daily duties, but the presidential team of doctors has decided that the president should only discharge routine duties in line with the condition of his health. I can clarify that the president is currently medically fit. [end recording]

The presidential team of doctors has declared that President Suharto is in good health because he has constantly adhered to his doctors' advice.

### Jakarta 'Attacked' for Rejecting Timor Rebel Talks

*BK2108130294 Hong Kong AFP in English 1207 GMT 21 Aug 94*

[Text] Jakarta, Aug 21 (AFP)—The Roman Catholic Bishop of East Timor, Carlos Filipe Ximenes Belo, attacked Indonesia on Sunday for rejecting an offer by East Timorese guerillas aimed at agreeing a ceasefire.

"They are arrogant. They don't like to reach a solution for East Timor," Belo said by telephone from East Timor's capital Dili.

The Indonesian military on Saturday rejected the guerrillas's offer, calling the offer "groundless" as the rebel group was now powerless.

Spokesman of the East Timor military command, Major Simbolon said the offer was just a propaganda effort and that the guerrillas had effectively been neutralised.

Simbolon was reacting to a report from Lisbon that the East Timor rebels would declare a unilateral ceasefire if the Indonesian government was prepared to talk seriously with them.

Jose Ramos Horta, the Australia-based overseas representative of the armed resistance movement, told Portugal's TSF radio that he was authorized by guerrilla leader Konis Santana to make the statement.

Military officials have put the number of guerrillas still fighting in the jungle at no more than 200, and said they no longer represented a security threat.

The East Timorese pro-independence movement, Fretilin has provided armed resistance against Indonesia since 1975, when Jakarta annexed the former Portuguese colony and declared East Timor its 27th province the following year. The United Nations, however, still regards Portugal as the administrator of East Timor.

The Indonesian authorities arrested Fretilin leader Xanana Husmao in 1992 and jailed him for life last year for plotting against the state, and illegal possession of firearms.

In August President Suharto converted the sentence to a 20-year jail term.

Gusmao was head of the Fretilin East Timorese pro-independence movement from 1979 until his arrest in Dili.

### * Regional Support for Metareum To Continue

[Editorial Report] The 25 July Jakarta SUARA PEMBARUAN in Indonesian on page 4 reported that a number of regional chapters of the Muslim-based United Development Party (PPP) want Ismail Hasan Metareum, the current party leader, to continue to lead the party for another five-year term (1994-1995). Representatives of PPP regional chapters, consisting of either the chairmen, deputy chairmen, or executive board members, have made their wishes known at a meeting with Metareum at his residence in Jakarta.

Provincial PPP leaders said that Metareum has succeeded in defusing the party's internal conflicts during his first term as chairman. Metareum himself did not directly accept his nomination by the regional politicians and has repeatedly said: "If elected by the party congress, I will with God's consent, carry out the assignment." In the meantime, political tension in the PPP continues to intensify as the date for the party congress draws near. Politicians belonging to the socio-religious organization of Nahdlatul Ulama (NU) who are active in the PPP are seeking support from NU scholars to obtain the top party post.

### Minister on UK's Boycott of Forestry Ad

*BK2208143994 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 22 Aug 94*

[Text] Indonesia believes that the British electronic media's boycott of an advertisement on forest preservation in Indonesia is due to a misunderstanding. The boycott against the advertisement sponsored by the Indonesian Forestry Society took place because they adopt a narrow-minded attitude toward forestry management in Indonesia.

Forestry Minister Jamaludin Suryohadikusumo said this to reporters during a meeting of the ASEAN Inter-Parliamentary Organization's Environment and Wildlife Conservation Commission in Jakarta today. The boycott is also caused by their failure to understand the role of forestry in national development, which is more wide-ranging than they can imagine. Trees in the Indonesian forests are cut down not only to produce wood, but also to assist in transmigration and resettlement programs.

## Laos

### Vientiane Reports on MIA Technical Meeting

*BK2408052694 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 24 Aug 94*

[Text] A Lao-American technical meeting on the problem of American prisoners of war and personnel missing in action during the war was held in Vientiane on 19 and 20 August.

The Lao side was headed by Don Somvolachit, chief of the Europe-American Affairs Department of the Foreign Affairs Ministry. The Lao delegation also comprised a number of technical cadres from the Foreign Affairs Ministry and the National Defense Ministry. The U.S. team was headed by His Excellency Victor Tomseth, ambassador extraordinary and plenipotentiary of the United States to Laos. Also attending on the U.S. side was General (Vialy), commander of the Hawaii MIA Investigation and Excavation unit, along with a number of American technicians.

In the meeting, the two sides reviewed and assessed the outcome of the implementation of the 1993-94 cooperation plan which began in October 1993 and ended in late August 1994. They unanimously agreed that the joint operations for 1993-94 have been satisfactorily carried out and that main objectives have been successfully fulfilled, with certain points of the plan even overfulfilled.

During the implementation of the 1993-94 plan, technicians of both sides worked together in the fields. They conducted surveys and excavations at plane crash sites on six occasions in nine provinces. They jointly investigated nine reports of U.S. MIA's suspected to be still alive, studied a large number of documents, and interviewed a number of people directly involved with the MIA issue. Through close cooperation in the operations, particularly since January 1992, the two sides jointly investigated 200 cases and jointly excavated 30 crash sites. As a result, remains of 60, of the more than 500 U.S. MIA's in Laos, have been recovered.

The meeting also approved a cooperation plan for 1994-95, which is to begin in October 1994. During this period, it is expected that the two sides will continue to jointly investigate 119 cases and excavated some 30 crash sites.

The U.S. side expressed profound thanks to the Lao Government and people for their cooperation, and highly appraised the humanitarian aid they have given the U.S. side in the past as well as in the future. In return for this cooperation, the U.S. side has given Laos 17 motorcycles and four large water pumps in aid for 1993-94. It will also render more assistance to Laos in carrying out many projects in 1994-95. The U.S. side has also given emergency aid for fighting floods. It has also aid in the form of medicine and complete sets of modern medical equipment.

The meeting proceeded in a good atmosphere and in a straightforward and effective manner on the basis of mutual understanding.

### Information Official Receives NHAN DAN Group

*BK2408055294 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 24 Aug 94*

[Text] On 23 August Bounteng Vongsai, deputy minister of information and culture, received at the ministry reception room a courtesy call from (Hong Thang), member of the editorial staff of NHAN DAN, and his delegation. The talk proceeded in a friendly atmosphere.

Bounteng informed the guest of the implementation of information and culture work in the past as well as during the restructuring period, in contributing to the cause of defending and building the country. The deputy minister also wished the Vietnamese guest success with his duties and in his visit to the Lao People's Democratic Republic. He noted that the visit by the delegation has contributed to further strengthening the long-standing traditional solidarity between the two countries.

(Hong Thang) thanked Bounteng for the warm welcome accorded him and his delegation.

### Attopeu Province To Face Rice Shortage

*BK2408120594 Vientiane KPL in English 0949 GMT 24 Aug 94*

[Text] Vientiane, August 24 (KPL)—In the second half of this year, over 21,000 residents of Attopeu [Province] are expected to face a rice shortage as a result of drought devastating the current rice crop.

The rice shortage are expected to be in the Districts of Saisettha, Sanamsai, Samakkhisai, Phouvong and Sansai.

In face of the situation, the provincial administration has lent over 400 tons of rice reserve to people.

The Socialist Republic of Vietnam has recently given 260 tons of rice to help ease last drought's consequences in the province. The relief has already arrived in the central Province of Savannakhet.

## Philippines

### Japanese Prime Minister Murayama Makes Visit

#### Arrives in Manila 23 Aug

*OW2308084194 Tokyo KYODO in English 0758 GMT 23 Aug 94*

[Text] Manila, Aug. 23 KYODO—Japan's Prime Minister Tomiichi Murayama arrived Tuesday [23 August] for a three-day visit to the Philippines, the first destination of an official eight-day tour that will also take him to Vietnam, Malaysia and Singapore.

Murayama's plane touched down at 2:26 P.M. at the Ninoy Aquino International Airport.

From the airport, Murayama, accompanied by Philippine Foreign Secretary Roberto Romulo, proceeded to the presidential palace for a brief exchange of greetings with President Fidel Ramos. He is scheduled to hold talks with Ramos on Wednesday.

Murayama, Japan's first socialist prime minister in 47 years, will reassure the countries he visits of the continuity of Tokyo's foreign policy and the visit will demonstrate Japan's emphasis on the region, Chief Cabinet Secretary Kozo Igarashi said Monday.

On Thursday and Friday, Murayama will visit Vietnam, becoming the first Japanese prime minister to go there since the Vietnam war ended in 1975.

Murayama, who took office in late June, is scheduled to meet Vietnamese Prime Minister Vo Van Kiet, President Le Duc Anh and Do Muoi, secretary general of the Vietnamese Communist Party.

The 70-year-old premier will visit Malaysia from Friday through Sunday and confer with Prime Minister Mahathir bin Mohamed.

Murayama will proceed to his final destination of Singapore on Sunday and hold talks with Prime Minister Goh Chok Tong on Monday. He will return home Aug. 30.

Prior to his departure from Tokyo's Haneda airport, Murayama said Japan puts emphasis on Asia as a member country of the region.

He also told reporters at his official residence that he hopes the visit will deepen understanding and friendship with the four countries.

### Urges Stronger Ties With Manila

*OW2308142394 Tokyo KYODO in English 1407 GMT 23 Aug 94*

[By Takehiko Kajita]

[Text] Manila, Aug. 23 KYODO—Japanese Prime Minister Tomiichi Murayama on Tuesday [23 August] expressed Japan's support for the Philippines' efforts to seek its economic and social development.

Murayama, who arrived in Manila earlier Tuesday on the first leg of his official eight-day tour of four Southeast Asian nations, also said he wants to seize the opportunity to further promote friendly ties with the Philippines.

The prime minister, who is scheduled to meet with President Fidel Ramos on Wednesday, made the remarks in his address at a dinner party hosted by the president.

"I am looking forward to frank and edifying talks with the president tomorrow on issues of mutual concern," Murayama said.

Murayama, 70, also reiterated Tokyo's foreign policy of developing and maintaining a close relationship with the Philippines.

But he failed to express remorse for Japan's victimization of Asia, including the Philippines, during World War II, an issue that has cast a pall over relations between Japan and countries in the region.

Ramos, who paid a state visit to Japan in March 1993, spoke of the need for the two countries to heal wounds caused by the past and to seek mutual prosperity.

In his dinner speech, Ramos hailed Murayama's commitment to continuity in Japan's key foreign policy, especially its emphasis on Asia. He also thanked Japan for its assistance in the Philippines' efforts to turn the country around.

"The Philippines values its cooperation with Japan, and I am convinced that as our countries progress together, we will further expand those joint endeavors that will be productive to our mutual benefit," Ramos said.

At the banquet, Murayama talked with Ramos "in a very friendly atmosphere," a Japanese Foreign Ministry official said.

The Japanese premier also said Tokyo is ready to extend grants-in-aid for a cleanup project of the Pasig River that runs through Manila, which has been actively promoted by Ramos' wife Amelita, the official said.

The Ramos thanked Murayama for his offer, Japanese officials said.

### Speaks on Ties With Ramos

*BK2408085294 Quezon City Radio Filipinas in English 0230 GMT 24 Aug 94*

[Speeches by President Ramos and Japanese Prime Minister Tomiichi Murayama during the state dinner at the Ceremonial Hall of Malacanang Palace in Manila—recorded; Murayama's statement translated into English by correspondent]

[Excerpts] [passage omitted] [Ramos] I am extremely delighted to extend to Your Excellency and your distinguished delegation a warm and heartfelt welcome from the Philippine Government and the Filipino people.

I recall clearly the gracious hospitality given to me during my own visit to Japan in March last year. I'm therefore happy to have this opportunity to reciprocate the friendship and rapport, Your Majesties—the emperor and empress of Japan—and the government and people of Japan accorded me and my party.

Your Excellency: we are doubly honored by your presence tonight because this is Your Excellency's first visit as prime minister, not just to the Philippines, but also to the region of Southeast Asia.

The direct dialogues our two governments began during my visit last year continued to bear fruit. Our two countries today enjoy the most excellent relations and our two people are closer than they have ever been. We have built an enduring partnership based on cooperation, mutual respect, and understanding. Just as important, our ties expand the whole range of a bilateral relationship—that is extraordinary even between close neighbors. And we also encompass our mutual interests in the continued peace and progress of Asia and the Pacific.

With this in mind, I wish to express, Your Excellency, our sincere appreciation for Japan's strong support to our nation-building efforts in the Philippines.

The Philippines values its cooperation with Japan, and I'm convinced that, as our countries progress together, we'll finally expand those joint endeavors that would be productive of mutual benefit.

We welcome Your Excellency's commitment to continuity in Japan's foreign policy, particularly the priority that you continue to accord to the countries of the Asia-Pacific.

Japan plays a key role for sustained progress in the Asia-Pacific, and it should pursue this role through close consultation and collaboration with her Asian friends.

We must broaden our bilateral cooperation in human and social development, poverty alleviation, environmental and ecological protection, investment, trade, tourism, technology transfer, and other areas of mutual concern.

Consistent with the long-standing policies of the Philippine Government, we are prepared to join hands with Japan on regional questions that can benefit from regional cooperation.

I am especially delighted to know that Your Excellency is from Oita Prefecture, whose energetic governor, Morihiko Hiramatsu, gave me and my delegation a briefing of Osaka last 8 March 1993—on the eve of my departure from Japan—on Oita's development plan, based on the concept of one village, one product. So impressed was I with Oita Prefecture's modern progress, that I invited Governor Hiramatsu to visit the Philippines, which he and a group of development and business experts did in June 1993.

Oita Prefecture's successful program of one village, one product indeed have resulted in world-class exports of goods, services, and friends. A partnership that we have forged is a valuable legacy the Philippines and Japan should equally cherish. It is a legacy both countries are duty bound to nurture, to strengthen, and then to bequeath to succeeding generations after us.

But while history is something to which we can only reconcile in ourselves in this spirit of understanding, the future constitutes a fresh challenge we must explore, chart, and develop together to achieve the higher quality of life for our two people and a bright future for the world.

Our paramount mission, Your Excellency, is to concern ourselves today with what we should strive for and win in the future. It is posterity that should have the greatest claim on our energies, our talents, our achievements, and our vision. On us, posterity depends on the continuous strengthening of the friendship that we have attained and safeguarded through past and present efforts. On us lies the (?autumn) responsibility to ensure that only that (?bargain) wounds are healed and past mistakes never repeated, but also that all the results of our collective will is fully committed to the task of giving our children and grandchildren a better society and a safer world, where the one we ourselves inherited. [sentence as heard]

Your Excellency, the Philippines and Japan have travelled a long road together, and the companionship of that journey measured in years and miles of common endeavor and bitter-sweet experience. Our two countries have ultimately acted as benefactors to each other in the post World War II era. I believe this is as it should be, after all, no one has a monopoly of wisdom and of resources, and each has something new to learn and benefit from the other.

Let us therefore remain on this road as we move toward the future. Let us continue to impart and receive advantage and knowledge from each other in the spirit of friendship and mutual benefit. And let us do so, fortified by the conviction, that we in our time will together shape our common destiny in the dynamic Asia-Pacific region of the 21st century.

In this spirit, I invite Your Excellency and all our distinguished guests to join me in a toast, to the continuing goodwill of His Majesty, the emperor of Japan, to the enduring prosperity of the Japanese people, and to the overwhelming friendship between the Philippines and Japan. [passage omitted]

[Murayama] I would like to express my deep appreciation to the president for preparing the state banquet to welcome our delegation. I'm truly grateful for the kind words President Ramos has said. This is my first visit to Southeast Asia, and I am particularly looking forward to visiting the Philippines as I have often heard and it was written island country like Japan. [sentence as heard] Looking down from the airplane at the islands below, I am pleased to confirm the geographic similarity of our countries with my own eyes.

Mr. President, the present coalition government which formed in Japan, I clearly outlined the agenda of my new cabinet such as political and administrative reform, the centralization of power and economic reform including reform of a new tax system, and thus able to improvise with the nation-building efforts with your administration's Philippines 2000 vision.

The challenges you are tackling have a great deal in common to the task of my own administration. Our two countries are at whole in close in proximity but we also share long history of exchange. A (?blanket) share in nearly common (?values) such as belief in the democratic system, the knowledge of market economy, and we both cherish peace and human rights.

Japan and the Philippines not only enjoy strongly interdependent economic relations such as trade and investment but our ties in the form of cultural and academic exchanges are also expanding.

The president and first lady themselves played an important role in strengthening by bilateral (?cup) ties over their state visit to Japan in March of last year. Maintaining and developing close ties with the Philippines has always been and will always be one of Japan's basic policies.

The Philippines has recently made remarkable progress in its nation-building efforts under the capable leadership of President Ramos. To cite an example, I am pleased to know that the lingering power shortage which plagued Metro Manila for the past two years is now [words indistinct].

I would like to take this opportunity to affirm our commitment to provide every possible means to support the socio-economic development of the Philippines.

Mr. President, I'm looking forward to tomorrow's frank and substantive talk in various issues of common concern [words indistinct]. I will do my utmost in close cooperation with Your Excellency in (?strengthening) the amicable and cooperative relationship between Japan and the Philippines. [passage omitted]

## Murayama Expresses Remorse for Wartime Acts

### Urged Not To Discuss Issue

*OW2308135494 Tokyo KYODO in English 1331 GMT 23 Aug 94*

[By Shigeharu Aoyama]

[Text] Manila, Aug. 23 KYODO—Japanese Prime Minister Tomiichi Murayama intends to express deep remorse for Japan's wartime atrocities in Asia when he meets President Fidel Ramos on Wednesday, a Japanese source said Tuesday.

While conveying his desire to resolve war-related issues, Murayama will also make clear that Japan will intensify efforts to help the Philippines tackle poverty and environmental problems and build "future-oriented" bilateral relations, the source said.

The source said Japan's Foreign Ministry initially wanted the premier to refrain from referring to Japan's wartime responsibility during his flurry of talks with leaders on his tour of four Southeast Asian nations that began Tuesday.

However, Murayama adamantly insisted on touching upon the topic during the meetings, the source said.

At the moment, Murayama reportedly plans to state that Japan "will look squarely at history, stick to its strictly defensive national security policy under the pacifist constitution and will never again become a military power."

Murayama, Japan's first socialist prime minister in 47 years, will decide on the exact wording on the issue depending on developments in his talks with Ramos, according to the source.

Murayama, who will also visit Vietnam, Malaysia and Singapore, reportedly hopes to express deep remorse for Japan's victimization of Asia during the war when he meets with Malaysian Prime Minister Mahathir bin Mohamed and Singaporean Prime Minister Go Chok Tong.

He wishes to make even more explicit remarks about wartime actions at a news conference set for Aug. 29 in Singapore, which marks the conclusion of his Asian swing, the source said.

### Apologizes for War 'Aggression'

*OW2408080094 Tokyo KYODO in English 0734 GMT 24 Aug 94*

[By Takehiko Kajita]

[Text] Manila, Aug. 24 KYODO—Japanese Prime Minister Tomiichi Murayama on Wednesday voiced deep remorse and extended an apology for Japan's military aggression in Asia during World War II when he met President Fidel Ramos, Japanese officials said.

The Japanese leader told Ramos that Tokyo is putting priority on forging closer relations with the Association of Southeast Asian Nations (ASEAN) and expressed his resolve to strengthen ties with the regional countries, including the Philippines, based on Japan's repentance, the officials said.

"With the strong determination to maintain our pacifist constitution and never repeat our mistakes by becoming a military power, we will promote our Asia diplomacy," the officials quoted Murayama as saying.

While hoping to create closer ties with ASEAN countries—Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, the 70-year-old Murayama also vowed efforts to strengthen relations between Tokyo and Manila, they said.

Murayama, Japan's first socialist premier in 47 years, arrived Tuesday in the Philippines, the first stop of his official eight-day trip to four Southeast Asian nations that will take him to Vietnam, Malaysia and Singapore.

He conferred with Ramos at the Malacanang presidential palace for about two hours.

Touching on Japan's forced recruitment of Asian women as prostitutes before and during the war, Murayama reportedly said, "My heart aches when I think about this issue," adding Tokyo is seriously considering how to express its feeling of remorse and apology.

Historians say the Japanese Imperial Army recruited up to 200,000 women, mostly Koreans but also Filipinos, Indonesians, Chinese and Dutch, and forced them to serve as prostitutes in frontline brothels.

While Tokyo has taken the position that the issue of war reparations was resolved when it normalized relations with its former foes and paid compensation, former sex slaves are demanding individual redress.

With 1995 marking the 50th anniversary of the war's end, Japan is planning to finance historical studies and youth exchange programs, Murayama said.

The premier also reportedly expressed readiness to go ahead with a program to establish vocational training centers for women in the Philippines and other Asian nations as part of Japan's efforts to secure the welfare of Asian women.

Ramos expressed appreciation for Murayama's statement of remorse and hopes to create "future-oriented" relations between the two countries.

"Although the issue of the past remains a small, dark cloud over bilateral ties, I hope the two countries will walk toward the future without being prisoners to the past," Ramos was quoted as saying.

Murayama, who assumed office in late June, gave high marks to the Ramos administration's efforts to turn the nation around, the officials said.

He also welcomed Manila's efforts to improve investment infrastructure, they said.

Ramos told Murayama that Japan should play a bigger political role in Asia as long as it "does not raise specters of the past, " Philippine Foreign Undersecretary Rodolfo Severino told reporters.

The president reportedly thanked Japan for its economic assistance to the Philippines and called for Tokyo's continued help for his constructive efforts.

Ramos also sought Tokyo's resumption of financing for a port project, which local residents oppose.

Japan has decided to withhold funding for the project, which will upgrade port facilities in Batangas, some 80 kilometers south of Manila. The 1.3 billion peso projection would displace about 300 families.

Ramos visited the village of Santa Clara on Friday to urge residents to allow the plan to go ahead.

Saying he hopes for a peaceful settlement, Murayama indicated Tokyo will resume funding if the course of resolution is charted, the officials said.

Meanwhile, Ramos raised the issue of the plight of thousands of Filipino-Japanese children and working conditions of Philippine laborers in Japan.

Murayama said that while the two problems are very difficult to deal with, Tokyo wishes to protect the human rights of such children and workers.

Manila has yet to come up with official figures, but estimates the number of children fathered by Japanese runs as high as 10,000.

## 'Comfort Women' To Confront Murayama

### Stage Demonstration

*OW2308102194 Tokyo KYODO in English 0937 GMT 23 Aug 94*

[By Takehiko Kajita]

[Text] Manila, Aug. 23 KYODO—Japanese Prime Minister Tomiichi Murayama exchanged brief greetings with President Fidel Ramos on Tuesday [23 August] on the first leg of his official eight-day swing through four Southeast Asian countries.

Murayama, Japan's first socialist prime minister in 47 years, proceeded to Malacanang Palace accompanied by Foreign Secretary Roberto Romulo, after flying into Manila earlier Tuesday.

The welcoming ceremony was attended by Japanese delegates and Philippine officials, including Vice President Joseph Estrada and former President Corazon Aquino.

Ramos will hold talks Wednesday with Murayama, who is expected to support Ramos' efforts to turn the Philippine economy around.

Also Tuesday, some 30 Filipino women who said they were forced into sexual servitude for Japanese soldiers during World War II staged a demonstration near a hotel where Murayama will stay. Police prevented them from nearing the hotel entrance.

Nelia Sancho, leader of the Lila-Filipina "comfort women" group, said the women, now in their 70s, are demanding a formal apology and individual compensation from the Japanese Government for all survivors of Japan's wartime wrongs.

Historians say the Imperial Army recruited up to 200,000 women, mostly Koreans but also Filipinos, Indonesians, Chinese and Dutch, and forced them to serve as prostitutes.

The 70-year-old Murayama, who will also visit Vietnam, Malaysia and Singapore, is expected to seek understanding of Japan's efforts to draw up measures that would substitute for redress.

The Asian tour is Murayama's third overseas trip since his rise to power in late June, following July trips to Naples, Italy, for the annual summit of the Group of Seven (G-7) economic powers and to Seoul for talks with South Korean President Kim Yong-sam.

### Enter Third Day of Protests

*OW2408111694 Tokyo KYODO in English 0923 GMT 24 Aug 94*

[Text] Manila, Aug. 24 KYODO—Protesters and Filipino-Japanese children abandoned by their Japanese fathers dogged Japanese Prime Minister Tomiichi Murayama on the second day of his visit here.

Former sex slaves of the Japanese wartime military staged another rally near the presidential palace, where Murayama and President Fidel Ramos held talks earlier in the day.

The women, in their third day of protests, are demanding individual compensation and a formal apology from the Japanese Government.

"Japan should give us what we are asking for before we die of old age," said Juanita Jamot, 69, one of two women who fainted from the heat during the incident.

They said they oppose a reported Japanese Government plan to set up a 10 billion yen fund to help those forced into sexual slavery.

In the afternoon, about 100 people, including 30 children abandoned by their Japanese fathers, known as "Japinos," waited for Murayama in front of the main public hospital, waving flags and welcoming placards as Murayama's motorcade rushed by.

One placard read, "Please say hello to our fathers in Japan."

"I want to welcome the prime minister and I want to relay a message to my father to recognize me and to tell him that I want to reunite with him," 8-year-old Luis Imae said.

The group was later joined by residents evicted from their homes to make way for a Japanese-funded port project in Batangas, 85 kilometers south of Manila.

Murayama leaves Thursday [25 August] for Hanoi on the second leg of a four-nation swing that will also take him to Malaysia and Singapore.

## Thailand

### U.S. Threatens To Cut Military Assistance

*BK2308145394 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 23 Aug 94*

[Text] The U.S. Congress has threatened to cut military and education asssistance for the Thai Armed Forces because it is suspicious of the latter's policy toward Burma and the Khmer Rouge.

Speaking to reporters about the meeting of the commanders of the four armed forces [including the Police Department], Lieutenant General Anuson Kritsanaserani, director of the Supreme Command Information Office, said the meeting discussed the letter from the U.S. Congress to the defense minister and commanders of the Armed Forces that calls for the adjustment of the Armed Forces' policies toward Burma, in particular the treatment of the Burmese minority groups and the Khmer Rouge.

The letter also threatened to have the Congress revise the law on the educational and military training assistance. The meeting reaffirmed that Thailand has always implemented appropriate policies in dealing with Burma and the Khmer Rouge, which include the suspension of contacts with the Karen ethnic group and Khmer Rouge. The Armed Forces' commanders agreed that it is still necessary for Thai military officers to pursue higher education abroad, and therefore, they will find money somewhere else if the U.S. financial assistance is suspended. They agreed that the budget Thailand set aside to support the U.S. military advisers program or JUSMAG [Joint U.S. Military Advisory Group] should be used for this purpose.

### Proposed Cut in U.S. Military Aid Viewed

#### Defense Minister Comments

*BK2408081394 Bangkok Radio Thailand Network in Thai 0530 GMT 24 Aug 94*

[Text] The U.S. plan to cut its military aid budget for Thailand is prompted by some misunderstanding as well as the views of the U.S. Congress. Efforts are also being made by the foreign mass media to present news that adversely affects Thailand, despite the fact that this budget does not involve very much money.

In an interview granted to reporters at Bangkok International Airport this morning, Defense Minister General Wichit Sukmak said it is the duty of the Ministry of Foreign Affairs to try to create a correct understanding on the matter with the United States:

[Begin recording] [Wichit] It is a matter the United States is working on. The issue has been taken up by the Budget Committee of the House of Representatives as part of its consideration of a bill on providing assistance to foreign countries. In particular, they want Thailand to support only the legal government in Cambodia.

[Reporter] Sir, in the past we have always been firm on our stand and [words indistinct], have we not?

[Wichit] Yes, we have implemented the UN resolutions appropriately. But this is a question of the U.S. point of view; they are examining whether our implementation of the policy and our actual practice go together. The matter therefore rests with the Thai Government, especially the Foreign Ministry, which is responsible for taking care of this matter. It is expected that the ministry will receive coordination from its [U.S.] counterpart in the same way that I have coordinated in the area of military security. [end recording]

#### Military Threatens 'To Retaliate'

*BK2408012694 Bangkok BANGKOK POST in English 24 Aug 94 p 1*

[Text] The military yesterday threatened to retaliate against the United States if its Congress continues with a bid to cut US$10 million financial aid to the Thai armed forces.

Armed forces spokesman Anuson Kritsanaserani said there were signs the US Congress would initiate the bill early next month to slash the aid money because it doubted Thai soldiers had stopped supporting the Khmer Rouge.

Lt-Gen Anuson said if money was cut, the Supreme Command would propose that the Government cut support to JUSMAG [Joint U.S. Military Advisory Group].

He said the issue was raised for lengthy debate during yesterday's monthly meeting of armed forces commanders at the Army Headquarters chaired by Supreme Commander ACM [Air Chief Marshal] Woranat Aphichari.

The US Government provides yearly financial assistance to the International Military Education Training Programme (IMETP), in which about 100 Thai military personnel would be sent to train and study in the US.

"This move is initiated by some members in the Congress and not the US Government with whom we have good bilateral understanding," stressed Lt-Gen Anuson.

However, he said, the meeting agreed in principle that if the aid was cut it would propose that the Government cut annual financial support to JUSMAG and spend the money instead on education programmes for military personnel.

"We just mapped out possible solutions to counter the move and tackle the problem which might occur if aid is cut. The armed forces is in its development process and it is important for military personnel to get education and training abroad," he said.

He said members of the US Congress alleged the Thai military was continuing support to the Khmer Rouge.

He added that the US Congress was also dissatisfied with the Thai Government as it had not followed guidelines set by Congress members, especially on Burma, where isolation was sought by the legislators.

"Our policy on the related issues might dissatisfy a group of people in the US," said Lt-Gen Anuson who did not elaborate.

However, he said key armed forces commanders, with the exception of Navy Commander Adm Prachet Siridet who is currently abroad, stated clearly during the meeting that it had closely followed the Government's policy to deny military support to the Khmer Rouge.

"The armed forces is on its righteous path but it seems a group of people still misunderstand our stance on the issue, said Lt-Gen Anuson.

One senior army officer said it was understandable if the aid was cut but it was unfair to the country to cite allegations of military aid to the Khmer Rouge as a reason.

Lt-Gen Anuson said border developments were also raised for discussion during yesterday's meeting, in which armed forces' commanders were briefed about the situation along the Moei River in Tak's Mae Sot District.

An islet was formed on the river at Ban Konken area after the Moei River changed direction and has prompted concern that the islet might be claimed by Burma and Thailand.

The spokesman said the problem would be settled soon.

Lt-Gen Anuson said the commanders agreed that about 6,000 Mon refugees in Kanchanaburi Province should be repatriated to Burma, saying problems would be more complicated if the refugees were allowed to stay longer.

At the end of the meeting Army Commander Gen Wimon Wongwanit gave a painting to ACM Woranat who will retire in October. The painting is of the supreme commander in army fatigues.

### U.S. Effort To Try Khmer Rouge Leaders Viewed

*BK2308130994 Bangkok SIAM POST in Thai 23 Aug 94 p 4*

[Editorial: "Genocidal Crime Against Humanity"]

[Text] The United States is currently lobbying to set up an international tribunal to try the Khmer Rouge for the massacre of more than 1 million people during its reign in Cambodia from 1975 to 1979. The information for the prosecution will be provided by researchers and academics from the U.S. and other countries.

The U.S. State Department publicized the move early last week. An Office of Cambodian Genocidal Investigation on crimes against the Cambodian people was recently set up under the U.S. State Department and is now gathering evidence to be used for the prosecution of Khmer Rouge leaders. The whole process including lawsuits is expected to take two years.

The United Nations, with the U.S. taking the leading role, arranged for the signing of the Cambodian peace plan in Paris in October 1991. The principle clause of the agreement demands the disarmament of all Cambodian factions before the general election which was held from 23 to 27 May 1993. All Cambodian factions were encouraged to participate in the poll to pave way for the democratization of Cambodia.

The Khmer Rouge, meanwhile, complained to the United Nations that there were not less than 100,000 Vietnamese living in villages around Phnom Penh who might disguise themselves as Cambodians to vote in the election and wanted the United Nations to solve this problem first.

Later the Khmer Rouge refused to take part in the 1993 general elections saying that the UN was not able to tackle the problem of Vietnamese interference in Cambodia and, for this reason, does not recognize the present government of Cambodia. It has also set up a provisional government.

The question at this point is whether or not the U.S. State Department would propose the prosecution of the Khmer Rouge leaders if the Khmer Rouge had taken part in the 1993 general election.

At present, Cambodia is ruled by a democratic government with Prince Norodom Ronariddh and Hun Sen as first and second prime ministers respectively. The Cambodian Government recently passed a regulation to outlaw the Khmer Rouge and asked for military assistance from Australia and the U.S. to suppress the Khmer Rouge.

The world should closely watch U.S. maneuvers in Cambodia including the dispatch of military personnel to help train Cambodian soldiers and officials to investigate the Khmer Rouge's genocidal crimes. Then they can judge whether the United States has encroached upon the sovereignty of the Cambodian Government.

### Minister Notes U.S. Attitude on Watch List

*BK2308152094 Bangkok KRUNGTHEP THURAKIT in Thai 23 Aug 94 p 12*

[Text] Deputy Commerce Minister Churin Laksanawisit reported his meeting with U.S. commercial adviser David Moran and said that the official confirmed to him the U.S. position on Thailand's status as a country under the Priority Watch List. He said there is a possibility that Thailand will be taken off the list when its copyright bill passes all readings of the parliament and is enacted into law.

He said the United States would also restore tariff privileges given to 16 exports from Thailand. The measure is being processed now, and it will take 90 days before enforcement under U.S. regulations. He said the first public hearing was held on 12 August. The U.S. official stressed that the United States will renew privileges given to 16 categories of goods from Thailand because the U.S. Government is pleased with Thailand's fight against copyright violations and protection of intellectual property rights.

"If the United States restores tariff privileges to 16 Thai exports, making them eligible to special tariffs again, Thailand would stand to benefit about 20,000 million baht in its exports. That is the reward we gain from tough suppression of copyright violations and from the protection of international property rights," Churin said.

As for the labor problem, he said the United States did not make it an issue for trade negotiation because the U.S. Government is well aware of Thailand's plan to introduce labor bills to the parliament to improve the situation.

### Foreign Minister on Cambodia's Chakkrapong

*BK2408034894 Bangkok BANGKOK POST in English 24 Aug 94 p 1*

[Text] Foreign Minister Prasong Sunsiri said yesterday Thailand would consider canceling Cambodian Prince Norodom Chakkrapong's visa if he was found to be still in Bangkok.

Sqn Ldr [Squadron Leader] Prasong said the ministry would cooperate with the Immigration Division to investigate a report that the prince is still in Thailand.

The exiled prince is not eligible to stay in Thailand since he has not sought political asylum, Sqn Ldr Prasong said.

He said the Prince only requested a temporary transit visa.

An early report said that Prince Chakkrapong arrived in Bangkok for a few days transit stop on his way to Paris where he has requested to stay in exile, and left the country on August 7.

The Cambodian Government early last month sent Prince Chakkrapong into exile in Malaysia after accusing him of leading an abortive coup on July 2.

Kuala Lumpur later pressed him to leave the country early this month to pave the way for a five-day visit by Cambodia's First Prime Minister Norodom Ranariddh.

Sqn Ldr Prasong, asked if Prince Chakkrapong has the right to stay in Thailand so long as he has not been charged by the Cambodian Government, said the prince has political problems with his country.

"How can he stay?" he said.

"Foreigners coming to stay in Thailand must apply for permission, no matter who they are."

He said the Foreign Ministry is studying the cancellation of Prince Chakkrapong's visa.

"I will cooperate with the Immigration Division," he said, adding that the Cambodian authorities did not want Prince Chakkrapong to stay in Thailand.

When Foreign Permanent Secretary Pracha Khunakasem led a special mission to Phnom Penh on August 10, Cambodia requested Thailand's cooperation regarding Prince Chakkrapong, Sqn Ldr Prasong said.

The Foreign Minister said he agreed with a warning from Thai Ambassador to Phnom Penh Sakthip Krairoek for people not to invest in Cambodia.

"It was to warn Thai people to be careful when considering doing business because the situation is still fluid," he said

"It is a warning by our envoy which is right, otherwise if there is any problem, the would put the blame on the ambassador," the minister said.

### CPP Elements Behind Failed Cambodian Coup

*BK2408053694 Bangkok THE NATION in English 24 Aug 94 p A6*

[Article by Foreign Ministry official Chutha Thephatsadin: "Truth About the Failed Coup Lies Within"]

[Text] Almost two months have passed since the July 2 coup was defeated in Cambodia, yet the roles of those involved remains unclear.

Three chief Cambodian suspects face different fates. Prince Norodom Chakkrapong fled the country. General Sin Song is under house arrest. Rather paradoxically, Co-Minister of Interior, Sar Kheng, has been appointed a chairman of the investigating team.

That 200 Khmer soldiers said to constitute the rebel force were all from southeastern provinces under the firm grip of the Cambodian People's Party [CPP] generated suspicions that the coup was led by some elements in the CPP. It also reminds many observers of the separatist movement led by Prince Chakkrapong and Gen Sin Song after the CPP's defeat in last year's UN-organized election.

The problem now is therefore the identification of who in the CPP are the rebels.

Needless to say, there are many factions in the CPP that have an incentive to topple the coalition. Their reasons could range from fear that Sihanouk might take administrative power, as rumoured, to simply the fear of being purged by the coalition's plan to trim the military fat by one-third. Rifts between leaders of the CPP were heard in public for a few months before the coup.

Had some factions in the party decided to play foul, it was likely they were in a position to do so. The CPP holds key posts that control most military and paramilitary forces.

Surprisingly, the one that is highlighted as involved in the power play is Thailand. Victims of the case are the 14 Thais arrested at the Pochentong Airport.

Targeting the Thais is, however, not the CPP's motive. The Second Prime Minister and CPP leader Hun Sen summoned envoys in Phnom Penh in mid-July and said to the diplomats that the Thai Government and the Thai military were not involved in the abortive coup.

Neither has Sar Kheng, CPP co-chairman of the investigating team, voiced any suggestion about the involvement of the Thais detained in the July 2 incident. Actually, none of the CPP cadres has ever accused Thais of taking part in the coup. Any sensible person has no reason to do it, either.

Thailand has nothing to gain from harming the democratically elected government in Cambodia, let alone from conspiring with elements in the CPP to overthrow it. Moreover, both public and private sectors in Thailand are serious about doing business in neighbouring countries. We will be happy dealing with a stable government that commits itself to developing a market economy.

The accusation that some of the Thais being detained were technicians sent to sabotage the telecommunications system in order to help the coup is also most unlikely. Anyone knows that Cambodian telecommunications system does not need any sabotage to make it malfunction.

The Phnom Penh government will hardly be stable without the "bad blood" being clearly identified and appropriately dealt with. If the coalition really wants governmental stability, it must vigorously seek the truth. And the truth lies within.

In this regard, too many Thais were detained for too long, only because they were in a wrong place at a wrong time. At this moment, nine Thais are facing trial in accordance with Khmer legal system. It is not known how long the process will last.

The Cambodian Government has many other ways to probe the coup plot without teasing its prey. Isn't it easier to let the CPP hunt for the black sheep, using the clue that Premier Hun Sen said he held in his hand?

Political struggles in Phnom Penh are no secret. Fighting between ministries from different parties for income from logging is loud enough to reach the IMF. Conflicts over passing the Bill outlawing the Khmer Rouge were so obvious that it took from April to July to get the Bill endorsed—with many amendments. Differences in views between parties on how to deal with the coup case reflect another war of nerves.

It is normal for political parties to quarrel with one another. What is unique in the Cambodian case is that they use foreigners to gain benefits and to weaken other parties. It seems that for Cambodia to meet international standards, not only the defence system needs to be overhauled but also the rest of the administration needs some kind of adjustment.

## * First Army Commander on Cambodia Policy

*94SE0210A Bangkok ATHIT in Thai 15-21 Jul 94 pp 17-21*

[Interview with First Army Commander Lieutenant General Chettha Thanacharo by Piyanat Worasiri and Uaiphon Taechutrakun; place and date not given]

[Text] Lieutenant General Chettha Thanacharo, the 1st Army Region commander, is responsible for a section of the Thai-Cambodian border area. He has worked along the border long enough to be in a position to provide useful information at a time when many countries are criticizing Thailand on the Khmer Rouge issue and on the Thai military's strategy if new fighting breaks out in Cambodia as a result of the announcement that the Khmer Rouge is to be considered an outlaw group. The Khmer Rouge has now established an independent government, and there have been clashes. What should Thailand do in such a situation? It may be necessary to use an "unofficial" defense strategy and diplomatic policy.

[ATHIT] The former U.S. ambassador to Thailand has written an article criticizing Thailand on the Khmer Rouge issue. People have been attacking Thailand on the Khmer Rouge issue for a long time. Then there was the coup in Cambodia, and the Cambodian Government appealed to other countries for help. If other countries do help the Cambodia Government, will that affect Thailand?

[Chettha] They probably want to provide help, but they probably can't do much because that conflicts with their desire to bring about peace. If they send weapons to support one side, even if it is the elected government, that will just serve to prolong the fighting. That could cause even more problems. And they probably feel that they are far away from what is happening there. They do not understand what is going on there and do not have any idea of what it is like being a Cambodian. They probably wouldn't dare risk doing that. Instead, they will probably provide indirect help. It's fine if they help provide military training. That is normal. But if they provide weapons, that would not be right. Things would come to a halt.

[ATHIT] Hasn't the Cambodian Government asked several countries to provide weapons?

[Chettha] They have asked the United States, Australia, and France. Looking at the Paris agreement that was signed on 23 October 1991, it's unlikely that they will provide such support. I don't think that anyone will provide such support. They will provide indirect support instead. That is the most likely scenario.

[ATHIT] They will probably provide humanitarian aid instead, is that right?

[Chettha] No, it won't be humanitarian aid. They will provide help with respect to military affairs in order to strengthen the government troops. They will do this by providing military training and so on.

[ATHIT] But they won't provide weapons.

[Chettha] I don't think that they will provide weapons. If they were going to provide weapons, they probably would have started doing so a long time ago.

[ATHIT] But not providing weapons to the Cambodian Government depends on the fact that a law outlawing the Khmer Rouge has not yet been promulgated.

[Chettha] I don't know if they have passed such a law or not. They were going to meet today (6 July 1994) or yesterday. They will probably do everything they can. But at the same time, Prince Sihanouk opposes this. He is taking a long-range view, that is, he is looking at what it means to be Cambodian. Others may simply view that group as evil. But don't forget that no matter how evil they are, they are still Cambodians. The Cambodian people must be allowed to decide their future on their own. No one can say what will happen. The 6 million Cambodians must be allowed to decide the fate of their country. I think there is a chance that mistakes will be made. What does the word "Cambodian" mean? This term is defined in different ways. This is something worth thinking about. Thus, in providing help, you have to look at things carefully. That is what I think.

[ATHIT] But if a law outlawing the Khmer Rouge is passed, that will transform the civil war into an ordinary war against terrorists. The United States will use this loophole to provide weapons to the Cambodian Government, because the Khmer Rouge will be just an ordinary terrorist group. What effect will this have on our strategy?

[Chettha] I don't think that this will have as great an effect as in the past. That is, Vietnam launched a major offensive and invaded Cambodia at the end of 1978. They took control of Cambodia. That was a very serious situation. If the Khmer Rouge becomes a terrorist group, the situation won't be as serious as that. That would definitely affect us strategically and in other spheres as well. That's because we are friends with all sides. We are friends with the Khmer Rouge, and we are friends with the government, including the Hun Sen, Son Sann, and Sihanouk factions. The international community has agreed to have us serve as the representative in providing aid. From 1978 to October 1991, the world community accepted this and supported having the Thai government do this. Then, when the situation changed, people suddenly started saying that that was wrong. Hell! How can they say that. I don't understand. I am not sure who it is that has criticized us, that is, if it is the Cambodian Government, FUNCINPEC, Son Sann, or someone else. I have asked if they are serious. Things are still unclear. Sometimes the mass media makes mistakes.

[ATHIT] Which groups will be affected the most? Will it be Thai businessmen who have invested in Cambodia?

[Chettha] Businessmen will certainly be affected. Things will come to a halt because of the complex situation in the country. There has been fighting there. The actions taken by the government will put a temporary or long-term stop to various activities. That is what will happen. But this will not affect other matters. This will have some effect. Actually, we can get along with all sides. If we have an agreement with the Khmer Rouge or with the government, if fighting breaks out, everyone will be affected.

[ATHIT] If a war does break out in Cambodia, will we have to use more forces to maintain control along the border?

[Chettha] That depends on how bad the situation is. If the fighting is confined within Cambodia, that won't pose any problems for us and the effects will be minimal. But if there is fighting near the border, that will probably affect us in certain areas and certain provinces. It all depends on the situation and the fighting there.

[ATHIT] If we have to maintain control along the border, will that require the use of a division of troops?

[Chettha] Regardless of what happens, I don't think the situation will become that serious. Vietnam invaded and occupied Cambodia. During the initial invasion, it used at least 40 divisions, which is a huge force. There were a million people. Today, their forces are the same size; they have not increased their forces. They may provide help, but they probably won't provide weapons. Thus, the effects of this will be much smaller as compared with what happened in 1979. But the situation could become worse as compared with today. They may acquire more ammunition and weapons with which to fight. But even if fighting breaks out there, they won't be fighting us. The only thing is that the Khmer Rouge controls the western part of the country, much of which borders Thailand. When the government troops fire at the Khmer Rouge, some of the shells might land in Thailand. That is the only problem.

[ATHIT] If it turns out that way, we will have to spend a lot of money there.

[Chettha] No, because we are trying to use.... That is, according to military principles, you have to conserve your forces and be frugal. Thus, things will depend on the situation. If the situation grows worse, we will probably have to increase our forces. We have to take precautions. And we will have to deal with the increased number of Cambodian refugees. But I don't think that this will affect the budget in general.

[ATHIT] In an article published in KHAO THAHAN BOK, Lieutenant Colonel Thatthiam Yiamnakhon stated that the army's budget is already very small. If budget funds have to be used to deal with the situation along the Thai-Cambodian border, which is growing more and more serious, will any problems arise?

[Chettha] Hell! In that case, the government would undoubtedly consider providing additional money from the central fund, because that would be an unexpected event. Otherwise, the army would not have any money.

[ATHIT] Thailand has always maintained that the Cambodian people must be allowed to solve the problems in Cambodia by themselves. How have other countries responded to this view?

[Chettha] I think that they agree. But some people may adhere to principles too closely. In any given situation, they have to act in a certain way. I think that they have a one-sided view of the Khmer Rouge. They view them as terrorists who murdered 1 million Cambodians. What evidence do they have? They view things from that point of view only. They see only evil. They don't see them as being Cambodians. There are many Cambodians who like the Khmer Rouge. Viewing things from far away may result in people formulating an erroneous line for solving the problems. It may not be wrong, but it might not be the best line. I think that the line of the Thai Government is correct. That is, we must let the Cambodian people solve the problems by themselves. The Cambodians must learn to compromise in order to forge unity and develop the country. Don't forget that the United Nations spent more than 50 billion to buy peace in Cambodia for just a few months. Was it worth it? It's a shame.

[ATHIT] But what if the Cambodian people say that they have decided to solve the country's problems by passing a law outlawing the Khmer Rouge?

[Chettha] I think that that is a possibility. But in that case, there will be fighting, and it will be the Cambodian people who will have to suffer the consequences.

[ATHIT] If that is the case, the Cambodian Government, which has the power to turn the Khmer Rouge into an outlaw group, might seek international support, because the Cambodian Government may think that the Khmer Rouge is still receiving support from Thailand.

[Chettha] If they think that, fine. If someone wants to help them, fine. We can't stop that. The only thing is that if someone asks what Thailand's policy is, we have to respond by saying that we don't want fighting to break out there. It is Cambodia and the Cambodian people who will have to suffer the consequences. But if we can get them to talk to each other, progress can be made more quickly. If suppression measures are used, there is no way to suppress all of them because of the nature of the Cambodian terrain. The Khmer Rouge are highly capable people. They fight using guerrilla tactics and move about in small groups. It will not be possible to eliminate all of them. That will just delay development and destroy Cambodia. If they are mired in fighting for 5 or 10 years, how much can progress can they make? If things are delayed 5 years, that is tantamount to moving backwards 10 years. They are the ones who will have to decide. No one can help.

[ATHIT] In this situation, is Thailand the only country that opposes giving weapons to the Cambodian Government?

[Chettha] ASEAN agrees with Thailand.

[ATHIT] Has an official statement been released?

[Chettha] Official or not, the statements made by ASEAN ministers are the views of the ASEAN countries.

[ATHIT] Is there still a high degree of unity among the ASEAN countries or have splits begun to appear?

[Chettha] There is still great unanimity. Those nearby seem to share these views. They have the same views.

[ATHIT] Thus, even though the Cambodian Government has asked Indonesia for weapons, Indonesia probably won't respond to that request for help. Is that right?

[Chettha] Indonesia probably won't provide such support. But providing training is normal. We can provide such help. We can help all factions.

[ATHIT] What has been the response of North Korea to the Cambodian Government's request for support?

[Chettha] I think the response has been the same. No country has expressed a willingness to provide real support. Countries are simply providing indirect support.

[ATHIT] In that case, there is no cause for alarm concerning the strategic effects on the country.

[Chettha] That's right. And in any event, there is no cause for concern, because we understand the situation very well. There is nothing to fear. Regardless of what happens, we are capable of defending our country. But the Cambodians will lose the chance to engage in trade. It may be necessary to close the border as in the past. I tried very hard to open the border at Khlong Luk. That point is now open. We would like to open the entire border. The Cambodian people would have a chance to engage in trade and earn money. They have to choose. We don't have any problems. That is Thailand's policy. But if they choose another path, that won't pose any problems for us. We will be okay. We won't suffer. The only thing is that some villages along the border may occasionally experience an influx of refugees, which might cause problems. Or shells may land in Thailand. Personally, I don't think that there is anything to worry about.

[ATHIT] Do you think that there is any chance that we might become isolated in the political arena if the United States plays the role that it has indicated it will? The U.S. secretary of state has warned Thailand twice, and the former U.S. ambassador wrote that article.

[Chettha] That is the view of just one person. Don't forget that when Abramowitz says or writes something, those are the views of just one of more than 200 million people. The government has nothing to do with that. Even if he is a chairman of something called "Peace NGO," that does not mean that this is the policy of the government or that the government shares these views. We must show patience and just listen. But we certainly don't agree with his views. He was here at a time when the world community wanted Thailand to take such action, that is, to help the three Khmer factions. Vietnam had illegally invaded Cambodia. We acted in accord with the wishes of the world community. At that time, they approved of what we did. But then people started accusing us of siding with the Khmer Rouge. The Khmer Rouge is opposing the present government and internal politics. They live mainly alone the border. You can see them along the border from Aranyaprathet and Khlong Nam Sai on south to Khlong Lek. What are we to do? People can go see if we are providing help. We have to explain the situation. We have to be patient and explain things based on the facts, that is, based on what happened at the end of 1978.

[ATHIT] But we have been explaining things like this for 10 years. Apparently our way of explaining things has not reduced the suspicions. People have just become more suspicious. As a person who once played a role in improving relations with Burma, do you think that we need to implement an offensive policy instead of simply saying that we are sincere and that we are ready to prove our sincerity?

[Chettha] There may be some interference. As I have said, it may have something to do with interests. People are trying to get a head start in carrying on business activities in Cambodia. Because we are close to the border, we know what is going on. It was forbidden to ship goods to support Vietnam, but several countries did so anyway. That's the way it is. It has to do with trade interests or carrying on business activities in Cambodia. This may be the problem. It's a war in the form of an economic war. We are doing the best we can now. The facts are the facts. You can't turn the facts into something else. Thus, we will probably have to advance using this method.

[ATHIT] In your view, in terms of our policy or the fact that other countries have attacked us on the Cambodia issue, do you think that our response has been too weak?

[Chettha] We have responded constantly. We have explained the facts and so what else can we do? As I said, we can't alter the facts. That is how they feel about what is happening. I have told you that other issues are involved and so if they have a chance or if they obtain data that they can use to attack us, they will do so. But I think that the situation will improve. When the army commander-in-chief visited the United States, he discussed this matter with senior people in the United States. They listened, and they believed him. You have to look at the government rather than individuals.

[ATHIT] But the State Department has twice attacked Thailand. Doesn't that mean the government?

[Chettha] Yes, it does. But I don't know why it did that. People can come and see things for themselves at any time. Or they can watch secretly. They are probably doing that already. The military attaches of of more than 10 countries who are stationed in Thailand have come to observe the situation here. Both the Burapha and Suranari forces would be happy to let anyone come and observe things for themselves. That is the best we can do. We aren't saying one thing but then closing the border. People are free to come and observe things. We will be glad to take them anywhere they want.

[ATHIT] Is there any other way out? It can be said that Thailand can still talk to the Cambodians, and the Khmer Rouge is positioned near our border. If we can carry out our duty as a neutral country, we may be able to help bring about peace in Cambodia.

[Chettha] We can't do that. As I have said, we can't foster any political tendencies. We are friendly with all factions and have dealings with all of them. As for trade, those who are near or who have a large area may have differences. But politically, we are neutral. Actually, we are trying not to interfere with the Khmer Rouge. We get along fine, but people want us to become enemies. Would other countries, such as France or the United States, do that? We are friends and get along fine. If the villagers start saying that the Khmer Rouge is evil, Thailand will turn and become an enemy of the Khmer Rouge. Would that be beneficial? Would that be in accord with the truth or natural? Those who live nearby view things differently from those who live far away.

[ATHIT] Then we will not become enemies of the Khmer Rouge but will have a relationship.

[Chettha] We will try to help the people as a whole. If we have a chance, we have to do that.

[ATHIT] Can a conference be held?

[Chettha] We probably won't do that. Foreign Minister Prasong (Sunsiri) has said that we will stop inviting people to hold conferences in Thailand. We have already done enough. That is, we want Cambodia to stand on its own feet. That is the best principle. No one knows you better than you do. If we interfere, that could just make things worse.

[ATHIT] Many people have said that the Ministry of Foreign Affairs has been weak in responding.

[Chettha] If that is the case, the question is, what do they want us to do? What should we do to take the offensive? The only thing we can do is tell the truth. There is nothing else we can do. Both the government and the military have confirmed things. As someone who is involved in carrying out things, I can confirm what is happening. Take Burma, for example. I went and talked with them. I didn't say have to say very much. After our first meeting, we held a conference there. Major General Ket Seng and Major General Saw Tung had just recently been made commanders stationed near our border. During our first meeting, I said only a few things. I told them the truth. I said that if we made a mistake, we would admit our mistake and correct it. We would not make that mistake again. But if they make a mistake, they must admit it, too, and correct it. We discussed all the issues. Whenever something happened along the Thai-Burmese border, we held a meeting and were able to settle things quickly.

[ATHIT] The problem seems to be that those who are nearest the situation seem to have the smallest role in solving the problem from the standpoint of policy.

[Chettha] Let me explain what the situation was like after 1978. We did various things up to 23 October 1991; otherwise, the Paris peace agreement would not have been signed. The Thai Government and Thailand played a key role. We had a good policy and we adhered to it firmly. If we said that there weren't any, then there weren't any. That is my view. There were two factors. By chance, the image at that time helped. That help was actually just by accident, particularly the military help. During the fighting in Cambodia, Vietnam attacked the Khmer Rouge forces, and the Khmer Rouge split apart and went in various directions. If they had stayed in the interior, they would have died, and so they had to retreat, with some retreating across the border into Thailand. Our policy, even at the end of 1978, was to expel them. I remember that very clearly. We can't allow armed forces from another country, even if they are friends, to enter our country. As I have said many times, this is a universal principle. No country will allow that. That would be a lose of honor. The same was true in this case. We announced that we would not let the Khmer Rouge or any other faction, including the Sihanouk and Son Sann factions, enter the country if they were armed. That would be tantamount to letting the thief into the house. We had to confront the Vietnamese and so we could let them do that. If they were in grave danger, they could lay down their arms or let us disarm them. And once they were out of danger, we had to send them back as quickly as possible. That is what we did. I was involved in that. We did not help those three factions enter the country. If that were the case, we could let them enter the country now. But that was not the case. We watched them to make sure that nothing happened even though Vietnam was in the wrong. Even though we knew that they were in the wrong and let Cambodians cross into Thailand, we didn't let them leave to make attacks. We felt sorry for the people. People came to live here temporarily. Once things were safe for them, we sent them back into Cambodia. That put a burden on us. If we had done otherwise, the Thais living along the border would have criticized us for taking care of the Cambodians and not doing anything for them. That was the situation all along the border. This is something that very few people know. No country in the world wants to have to do this. This is a universal principle and has to do with the nation's honor. They are exaggerating things. That is an old picture. I admit that they saw things, and we were not happy. The Khmer Rouge liked to brag and say that Vietnam could never beat them. But at the first bang in the Phnom Chat mountains, they scattered immediately. We were very dissatisfied. But if we had chased them out, that would have made the situation even worse. We did what we did for humanitarian reasons.

[ATHIT] In an interview, the army commander-in-chief talked out our being attacked on the Cambodian issue. He said that the Ministry of Foreign Affairs feels somewhat isolated.

[Chettha] We have to help each other. They are making an effort. It's good if the Foreign Ministry makes an even greater effort and finds a way to respond more clearly. As for us, if people have doubts, they can come observe things for themselves. Military attaches frequently come to observe things.

[ATHIT] Have you ever felt that our response has sometimes been off-point or too weak?

[Chettha] We must tell the truth. We can't color things. The truth is the truth. That's all there is to it. The Ministry of Foreign Affairs has established a team to provide briefings. If someone has doubts, they can attend the briefings and arrangements can be made for them to come see for themselves. That can be done. We could announce this. But they already have an ambassador in Thailand. If they have doubts, they can fly in for a briefing and then come here to observe things for themselves. You can't see anything sitting in an air-conditioned room. All you can see is a map. It's better to get out and see what the situation is like. They will see if we are doing the right things.

[ATHIT] Would it be possible to use the same method that you used when you went to Burma?

[Chettha] Perhaps. That would probably help improve the situation somewhat. But we have to see if it would be worth the effort. That would take time and effort. Is it really necessary? We have to examine things carefully. I'm sure that the Foreign Ministry, on behalf of the government, has looked at this. The Foreign Ministry has formulated a policy, which is fully in accord with the needs of the military. As a commander, I understand this policy and feel that it is correct. We are implementing this policy.

[ATHIT] Diplomatic methods don't always have to be official. There are many forms. In the case of Cambodia, couldn't we use an unofficial method?

[Chettha] Okay, that is a good idea. I might try to do something personally. That is, I might try to talk to them through the Ministry of Foreign Affairs. We might tell them that we must take a more offensive approach. But we will do things in stages and increase the pressure gradually. I think that the Foreign Ministry is already doing that.

[ATHIT] Do you have an offensive policy in mind or steps that could be implemented?

[Chettha] We can try to do more unofficially in order to foster mutual understanding as fellow Asians. We might be able to foster better understanding. If they understand, that will help solve the problems. We must do whatever we can to clarify things. People can come observe things for themselves and monitor the situation. We will ask the army commander-in-chief for permission to let them come. I would really like for them to come. You have to tell the truth.

[ATHIT] What about the matter of the CIA inspecting along the Thai-Cambodian border?

[Chettha] I don't know anything about that. But we don't have any problems with that. Anyone can come and examine things here. But if it is a government unit or foreign unit, they must first obtain permission. It's not that we are forbidding this. But there is a process involved. This is a matter of the nation's honor.

[ATHIT] There have been reports that the United States is using satellite photographs to monitor movements along the Thai-Cambodian border.

[Chettha] They have been doing that for a long time. We know that.

[ATHIT] But so far no progress has been made.

[Chettha] It's up to them. There is nothing for us to worry about. They have satellites and so they should make use of them.

[ATHIT] Are the satellites capable of showing which people have been in contact with each other?

[Chettha] They can tell where we are at and where the enemy is at. They may, for example, tell the Cambodian Government the locations of the Khmer Rouge forces and the estimated size of the forces and how many tanks and artillery pieces they have. They can examine things to that extent.

[ATHIT] If the charge that we are supporting the Khmer Rouge is true, the satellite photos should provide evidence of that. But so far, no such evidence has been released.

[Chettha] Obviously. And why haven't they presented such evidence? Damn! We don't even have enough for ourselves and so how could we be providing them with tanks and artillery? Today, we have to purchase every rifle and vehicle by ourselves. How could we use the taxes paid by the Thai people to help someone else without informing the people?

[ATHIT] In an interview with ATHIT last year, you said that Vietnam's strategy had not changed. Now, do you think that Vietnam has changed its strategy toward Thailand?

[Chettha] We don't know. Personally, I doubt if they have changed their strategy. They are developing their economy. We can't criticize that. But we know what their national objective is. But at present, they are focusing on economic development. They are not interested in the events in Cambodia. They don't care what people say. They are not providing help. Instead, they are focusing on developing their economy. We can't trust them fully. This must be our strategy. We have to keep this in mind.

[ATHIT] Is this why the United States thinks that we still need to have a buffer state?

[Chettha] Such a view is unsuitable. The Khmer Rouge can't be used as a buffer, because their forces are too small. They can't serve as a buffer. Such a view is mistaken. We share a border with Cambodia. Vietnamese forces pushed back the forces of the three Cambodian factions. They split apart and crowded along the border. It would have been impossible for us to use those military forces as a buffer. They attacked with 30-40 divisions. They had 60 divisions ready for combat. I don't think that those forces can provide much help.

[ATHIT] If the charge is not that we are providing weapons to the Khmer Rouge but that Thailand does not want peace in Cambodia so that Cambodia automatically becomes a buffer state, is there any truth to that?

[Chettha] None whatsoever. Based on our policy, we want to see them reach a compromise. We have taken action to bring that about. If we actually had such intentions, we would not be trying to get them to reach a compromise. We would have tried to prevent them from signing the peace treaty in Paris. We would be taking steps to ensure that the fighting there continues. Instead, we are constantly asking, When are you going to stop fighting? We are encountering problems too. We would have to find a way to keep them fighting, and we would let others send weapons to them. There wouldn't be any need to say that we disagree or that we don't support things in order to prolong the fighting. But we are doing everything possible to end the fighting and get the Cambodians to turn to developing their country instead. Does this answer your question? Is this correct?

## Illegal Burmese Immigrants Sent to Refugee Camp

*BK2408035894 Bangkok BANGKOK POST in English 24 Aug 94 p 6*

[Text] Sangkhla Buri—More than 2,000 illegal immigrants from Burma who were rounded up from many parts of Thailand have been sent to the new Halockhani campsite where more than 6,000 ethnic Mon refugees are temporarily housed.

A Mon refugee committee member told the BANGKOK POST yesterday that Thai immigration authorities have trucked several hundred illegal immigrants each week over the past few months, usually on Wednesdays and Thursdays, to the new campsite at Halockhani.

The illegal immigrants are released at the second checkpoint in Sangkhla Buri District to trek the two-hour journey over a muddy trail to the camp.

About 900 illegal immigrants were dumped at the same spot yesterday by three 10-wheel trucks before beginning the gruelling trek to the refugee camp.

The illegal immigrants from Burma are rounded up from many provinces in Thailand and released here, the Mon source said.

Over the past month more than 2,000 illegal immigrants from Burma were sent to the Mon refugee camp, where more than 6,000 Mons had been given temporary shelter. The Mons sought sanctuary in Thailand after the old Halockhani camp in Burma was attacked by Burmese troops last month.

The illegal immigrants sent to the temporary shelter at Halockhani included Mons, Karens, Indians and Burmese. The Mon source said these illegal immigrants either reside temporarily at the camp before continuing their trip to Burma or sneak back into Thailand.

However, he added, several hundred have decide to remain with the Mons.

According to the Mon refugee committee member, the authorities do no provide these illegal immigrants with food and the new arrivals had to depend on Mon refugees to feed them.

"We have to provide them rice to eat which is a heavy burden for us," he said.

Meanwhile, troops from the Kanchanaburi-based 9th Infantry Division yesterday travelled to the Halockhani area to erect flags demarcating the Thai-Burmese border.

## Government Plans To Close Lao Refugee Center

*BK2408093594 Bangkok Radio Thailand Network in Thai 0000 GMT 24 Aug 94*

[Text] Khachatphai Burutphat, deputy secretary general of the National Security Council [NSC], and his party comprising the deputy governor of Nakhon Phanom Province and representatives of the Interior Ministry and the Office of the UN High Commissioner for Refugees [UNHCR] recently visited the Lao refugee center at Na Pho village in Nakhon Phanom Province.

The NSC deputy secretary general notified the refugee leaders and representatives of various agencies that Thailand has no policy to grant permanent residence to Lao refugees, stressing that the government plans to close the center later this year. Meanwhile, he said, no third countries are now accepting Lao refugees for resettlement. The Lao Government is ready to accept the refugees back to help develop the country and provide land to them to live on and to farm. Moreover, the UNHCR office will also look after the refugees after their arrival in Laos to ensure their safety and normal livelihood. He added that the refugees should return to Laos as quickly as possible before the assistance programs expire.

The NSC deputy secretary general will take drastic action against refugee leaders who are against repatriation efforts. They will be detained at the illegal immigration detention center in Suan Phlu. He also noted that after the closure of Na Pho refugee center, all relief activities at the center must be suspended. Those who refuse to go back to Laos after closure of the center will face legal action for illegally entering the country.

## Technology Conferees Form Cooperation Committee

*BK2408055394 Bangkok BANGKOK POST in English 24 Aug 94 p 2*

[Text] The six countries taking part in the first Techno-Indochina Congress have pledged to cooperate in the fields of science and technology for sustainable development based on mutual respect and benefits.

Khruawan Somana, the organising commitee chairwoman for the First International Congress on Science and Technology for Indochina, said yesterday the participating countries had agreed to try to institutionalise regional cooperation in science and technology.

The congress, which was opened by His Majesty the King on August 18, ends today.

Mrs Khruawan said the heads of delegations from Burma, Cambodia, China's Yunnan Province, Laos, Vietnam and Thailand agreed during a dinner Monday to form a provisional committee to follow up on the congress's findings with their respective governments. They also agreed to seek approval to institutionalise cooperation, including the setting up of a permanent body for regional cooperation on science and technology and the convening of a similar congress in two or three years, or earlier if needed.

Mrs Khruawan, a Phalang Dharma Party MP for Bangkok and a member of the House Committee on Science and Technology, said regional cooperation might be extended in the future to include members of the Association of Southeast Asian Nations (ASEAN).

It was also agreed that information technology should be added to the four other areas of regional cooperation raised during the congress—agriculture and agro-industry, health energy and the environment and education and human resource development.

The MP admitted there was still some mistrust when it came to Thailand cooperating with its neighbours, especially on agro-industry and technology transfer, but Thailand also needed the cooperation of its neighbours.

She said there were disparities between the six countries and differing specialisations so all countries could learn from each other's expertise and experience.

Dr Naksit Kuwattanachai, deputy director of the National Science and Technology Development Agency, one of the congress organisers said Thailand lagged behind some of its neighbours in the teaching of basic science.

"There are many illusions in Thailand. We look technologically advanced with satellites, computers, etc, but we're very weak in basic sciences," he said.

Dr Naksit said Thailand had only 20 active mathematicians with doctorates.

Thai students tend to perform poorly in international competitions in science and technology, often behind students from Vietnam which has a much stronger foundation in basic science.

He said Thailand had made some advances economically because it was capitalist while its neighbours have problem with administration.

Thailand lacks scientists so foreigners are hired to fill the gaps. They come from China, Russia, and Vietnam through the Asian Institute of Technology.

In the health field, the co chairwoman of the organising committee for health, Dr Sakhon Thamitta, said there were a number of diseases which Thailand could not control or eradicate without the cooperation of neighbouring countries.

She cited polio, malaria dengue fever and liver and blood fluke which is carried along the Mekong River.

The eradication of foot and mouth disease among live stock, a disease which has been an obstacle to Thailand's export of meat, could not be achieved without regional cooperation as cattle move freely across borders.

Dr Thira Sutabut, chairman of the organising committee for agriculture and agro industry, said that in addition to regional cooperation, the congress presented the opportunity for Thai students to learn about scientific an technological advances.

Mrs Khruawan said some 10,000 people are estimated to have visited the congress and its exhibition since August 18.

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## ASEAN Urged To Brace for 'Unfair Competition'

*BK2408054894 Bangkok THE NATION in English 24 Aug 94 p B4*

[Text] A senior Commerce Ministry official has urged Asean governments to prepare themselves for unfair competition in the agricultural and textile sectors despite the completion of the Uruguay Round of multilateral trade talks.

Dr Somchin Sunthawaruk, Deputy Director-general, Department of Business Economics Department, the Commerce Ministry, told participants at the 'Development in the European Union and EU-Asean Relations' seminar recently that Asean countries should be well aware that the situation might not be as promising as initially expected. Due to political pressure in some developed countries, their governments are unlikely to do much to reduce the level of support for their farmers.

Members of General Agreement on Tariffs and Trade (Gatt) are obliged to cut domestic subsidies and open their markets to farm products under the recently agreed Uruguay Round of international trade talks. But developed countries would take a different approach to that of developing countries to comply with the new free trade rules, Somchin said.

"Both sides of different coins," is how Somchin described the situation between the developed and developing countries during his presentation.

Dr Somchin said that while Asean countries believed that Gatt would bring farm prices down even further, affecting the income of poorer Asean farmers governments in some developed countries are likely to continue to provide some form of support, under pressure from their influential farm sectors.

While market-opening commitments in developed countries could also mean an influx of agricultural products into their markets, farmers in these countries are still benefiting from domestic support programmes, mostly income-guaranteed which will still be available during the reform period, he explained.

According to the EU's Schedule of Commitments, by the end of the year 2000 the EU will still be able to provide primary producers there with domestic support of US$67 billion. Farmers in Asean countries would not be as well protected as their European counterparts since the base year support in their countries was already minimal.

Dr Somchin said as a result, Asean will have to choose the future direction for the farm sector in the years to come. "It should decide whether it will accept the transitional arrangements for this highly-sensitive sector, and in fact whether we actually need a farm sector, which is large but relies heavily on government support, he said.

The possibilities for fair competition for Asean countries in the world market are not very promising either, he noted. Large competitors such as the US and the EU will only commit themselves to reduce existing export subsidies by the end of the six-year period, rather than eliminate them entirely.

Professor Jacques Pelkmans, Senior Research Fellow, Centre for European Policy Studies, Brussels, added that although the EU is in the process of cutting tariffs on farm goods to comply with Gatt agreements, market access is unlikely to improve much. Although the EU has adjusted the tariff cut schedule in line with Gatt commitments, the tariffs are still high, he explained.

Japan has offered a 30 per cent reduction, while US/Canada offered 50 per cent. The offer from the EU turned out to be very small. They have no tariffs higher than 20 per cent and very few higher than 17 per cent so these go down by only a third. EU commitments to their farmers have historically been very high. So the changes this time are unlikely to bring greater access to European markets. A later round of international trade talks promises further reductions in tariffs, Pelkmans said during his speech.

As well as farm liberalization, the Gatt agreement is expected to greatly help Asean exporters in the textile area since this round of agreements requires members, for the first time, to shed restrictions in the textile industry. Asean exporters sold a combined US$15 billion on the world market.

However, the bad news is that Gatt members have increasingly applied countervailing and anti-dumping duties against foreign exporters.

### Insurance Liberalization for ASEAN Under Review

*BK2308114994 Bangkok THE NATION in English 23 Aug 94 p B1*

[Text] The Council of Economic Ministers yesterday ordered the Commerce Ministry to study the possibility of opening up the Thai insurance industry to neighbouring Asean countries prior to full liberalization of the financial services sector.

Deputy premier Suphachai Phanitchaphak said the Commerce Ministry will come up with recommendations for proposals on financial services liberalization, which will later be submitted to General Agreement on Tariffs and Trade (Gatt) and its successor, World Trade Organization (WTO). WTO will replace Gatt by 1995.

Earlier this year, Asean countries informally agreed at the Asean Economic Minister (AEM) Meeting in Malaysia they should be giving first priority to each other, before opening the services sector to non-member countries. Insurance services are also included.

Meanwhile, finance ministers of Asean countries are due to meet this October in Indonesia for further discussion on liberalization of financial services. They are expected to decide on an Asean position before the global trade forum is inaugurated.

Asean ministers plan to include liberalization of the financial sector into the Asean Free Trade Area (Afta) agreement. Before the finance ministers' meeting, ministers will also discuss liberalization at the upcoming meeting in Chiang Mai.

In the future, banks in Asean countries might be able to expand their businesses freely throughout the region. One Asean company might be able to operate in another Asean country, and Asean insurance companies might enjoy better privileges than other foreign companies in Thailand.

Asean sees the regional liberalization as preparation for full liberalization under the multilateral framework of Gatt.

During the recently agreed Uruguay Round of international trade talks, the Gatt members were unable to come up with specific details on how to implement financial liberalization. Gatt is scheduled to come up with clearer conditions during the next two years.

Suphachai said the International Trade Policy Committee will have to examine any laws pertinent to the plan, such as the Thai-US Treaty of Amity as well as various insurance laws. Conflicts within these laws to do with national treatment and fiduciary issues will have to be removed while fairness has to be ensured for Thai, Asean, and non-Asean companies.

## Vietnam

### Vice Foreign Minister Discusses Spratly Talks

*OW2408132794 Tokyo SANKEI SHIMBUN in Japanese 22 Aug 94 Morning Edition p 5*

[Interview with Vu Khoan, Vietnamese vice foreign minister, by SANKEI SHIMBUN reporter Tsugumasa Uchihata in Hanoi on 20 August]

[Text] [Uchihata] On 15-16 August, Tang Jiaxuan, Chinese vice foreign minister, visited Hanoi to hold border negotiations. Do you think the visit was fruitful?

[Khoan] The purpose of the negotiations was to confirm discussions [kyogi] at the specialists' level. Although we did not reach an agreement regarding oil development on land and in the Gulf of Tonkin, I think we made some progress. The South China Sea issue is complicated and not easy to solve. But I think we understood each other's stand well.

[Uchihata] How about the territorial issue over the Spratly and Paracel Islands?

[Khoan] Regarding the Spratly Islands, China is not the only country we have to deal with. Six countries are involved. The six countries have to find a fundamental settlement through discussions. To do that, it is desirable for us to cooperate with each other as much as possible while maintaining the status quo without resorting to arms.

[Uchihata] Is Vietnam ready to accept the joint development proposed by China?

[Khoan] The problem is which sea area we are going to develop jointly. The area in which China signed a contract with an American company for development is within 200 nautical miles of the Vietnamese territorial waters guaranteed by international law. This is a development by China within Vietnam's territorial waters and primarily has nothing to do with the territorial issue over the Spratly Islands. China's intention in proposing the joint development of the Spratly Islands is an attempt to justify its presence in Vietnam's territorial waters under the name of joint development. Would you accept an invitation to dinner from a person who was trying to steal a $100 bill from your pocket? I think Japan should be more concerned about China's attitude regarding the Senkaku Islands.

[Uchihata] It was said that the negotiations would last for four days. Did the negotiations end in a rupture?

[Khoan] The negotiations were originally scheduled for two days and the remaining two days were saved for sight seeing and field trips. The Chinese officials visited Haron Bay [as published] (picturesque place in northern Vietnam). I will visit Beijing next year to negotiate with Vice Foreign Minister Tang.

[Uchihata] Prime Minister Murayama will soon visit Vietnam.

[Khoan] It will be the first visit by a Japanese prime minister and I am sure it will be a significant trip. Japan resumed its official development assistance (ODA) to Vietnam in 1992 and Prime Minister Vo Van Kiet visited Japan in 1993. I am sure the upcoming trip will strengthen ties between the two countries. I think the leaders of both countries will exchange opinions regarding wide ranging issues that exist not only between the two countries but also in the Asia-Pacific region.

[Uchihata] What do you expect from Japan?

[Khoan] We are appreciative of Japan's ODA. But more important to Vietnam is long-term investments. Japan is in seventh place among the world's nations and regions as far as investments in Vietnam is concerned. Knowing Japan's potential, the amount of investment Japan has made so far is small. We hope the Japanese Government will urge Japanese companies to invest in Vietnam.

[Uchihata] When do you think Vietnam will join ASEAN?

[Khoan] ASEAN is active and its members are cooperating with each other in various fields, including the political areana. Joining ASEAN means that we will have opportunities to construct versatile international relations. For the purpose of becoming a member, we are currently studying piles of documents, which we received from ASEAN, and asking questions regarding unclear matters. Preparations and procedures for joining ASEAN take time. But we are actively buckling down to the task of joining ASEAN. I think we will become a member next year.

## Tran Duc Luong Leaves for Central, Eastern Europe

*BK2108144794 Hanoi VNA in English 1406 GMT 21 Aug 94*

[Text] Hanoi VNA Aug 21—Vice Prime Minister Tran Duc Luong is leading a governmental delegation for an official tour of the Czech Republic, Slovakia, Hungary, Poland and Romania.

The delegation left here today.

It is reported that in this first official visit to Central and Eastern Europe since 1990, Mr. Luong will discuss with the host countries short-and long-term cooperation in economy, commerce, science, technology, culture and training.

Agreements on investment protection and avoidance of double taxation will be signed with Hungary and Poland. With the Czech Republic, an agreement on trade and payments is on the agenda.

## Japan-Vietnam Petroleum Company Strikes Oil

*BK2208130894 Hanoi Voice of Vietnam in English 1000 GMT 22 Aug 94*

[Text] A Japanese petroleum company has struck oil offshore of Vietnam in an area where the Shell Company, a German company, and VIETSOVPETRO had failed to find oil. French news agency AFP quoted Mr. (Kano), director general of the Japan-Vietnam Oil and Gas Company, as saying that the previous companies failed because they had not reached the right step, because of political reasons, and shortage of funds.

The Japanese company has spent 30 million dollars for the exploration and planned to spend an extra 50 million dollars.

## 'Double Taxation' Accords Signed With 8 Countries

*BK2408071294 Hanoi VNA in English 0645 GMT 24 Aug 94*

[Text] Hanoi VNA August 24—Vietnam has so far signed agreements on avoidance of double taxation with

Thailand, France, Australia, Russia, Sweden, the United Kingdom, Singapore and South Korea.

Some of these agreements have been ratified and executed.

Similar agreements will soon be concluded with Switzerland, Malaysia, the Netherlands, Denmark and other countries.

## Commentary Denounces Peaceful Evolution

*BK2408104094 Hanoi Voice of Vietnam Network in Vietnamese 1400 GMT 23 Aug 94*

["Topical talk" by Editor Vu Ton]

[Text] Dear comrades and friends, lately imperialism and hostile forces have changed from the beyond-containment strategy to an enlargement strategy, to eradicate socialism in the remaining countries where it is practiced in a bid to gain an absolute political position for capitalism worldwide and to menace the independence and sovereignty of various nations, especially developing countries. To achieve this aim, they have carried out their peaceful evolution strategy—which is in fact a war without guns or gunsmoke—while maintaining their military might as a deterrent force.

Imperialism and hostile forces view Vietnam as a target for sabotage. They believe that Vietnam has many very fundamental strong points. Therefore, they must readjust various measures and methods and change their tricks to fit with their peaceful evolution strategy.

Although their peaceful evolution strategy is mainly targeted at all of our people and our political system, it is also focused on other targets such as young people, students, various ethnic minority groups, religions, and the Army. With the Army in particular, the enemy has classified it into many categories, evaluated strong and weak points, and mapped specific measures to deal with every category.

They have advocated general sabotage in various areas—political, ideological, scientific, technological, cultural, social, and diplomatic. If necessary, they would resort to military measures with the main purpose of sabotaging us politically, ideologically, culturally, and economically. They have viewed the conduct of political, ideological, and cultural sabotage as the most important and effective measure. According to them, hitting their opponent politically, ideologically, and culturally will produce the greatest results and therefore be regarded as the best way. Therefore, they have intensified their activities of political, ideological, and cultural sabotage, regarding these as a vital spearhead for creating a state of uncertainty, causing the masses to lose their direction and confidence in socialism, sowing division among ethnic minority groups and religions, and arousing indignation among the people so as to cause political turmoil.

Their political, ideological, and cultural sabotage will be aimed chiefly at the following:

—distorting Marxism-Leninism, Ho Chi Minh thought, and the policies and lines of the party and state.

—taking advantage of the negative aspects of the market system to influence our people's goals and ideals.

—carrying out incendiary propaganda on democracy and human rights in accordance with bourgeois notions.

—spreading reactionary and distorted allegations on culture and art and propagating the slavish and hedonistic lifestyle of capitalism.

—taking advantage of our policy on freedom of religion to develop superstition.

In reality, the enemy has adopted many ways lately of sabotaging Vietnam in these areas to achieve these goals. The enemy's ambition is very great, but whether it will be able to achieve it will depend on us. Regardless of how perfidious and dangerous the enemy's schemes and tricks may be, it will not be able to succeed if we remain vigilant, know how to develop the integrated strength of the entire party, people, and Army and of various echelons, sectors, and localities, and work out preventive and counter plans with close guidance for their implementation.

It can be said that our country is at peace, but in the political, ideological, and cultural fields, we are at war. Though quiet, this war is no less rigorous and fierce. Therefore, struggling against the enemy's peaceful evolution strategy is now a fundamental and urgent duty for our entire party, people, and army, particularly at the grassroots where there is constant development.

In preparing and carrying out its plans against the peaceful evolution strategy, every grass-roots establishment must firmly grasp the fundamental viewpoints and guiding notions of the Central Committee's third plenum resolution as well as other party resolutions and directives, trying to make everyone clearly and profoundly aware that the peaceful evolution strategy is dangerous and that struggling against it constitutes an urgent and burning task.

Taking the initiative to build ourselves into a steadfast force capable of effectively countering the enemy's hostile ideological machinations must be seen as an essential task at present. We need to look into the following essentials:

—intensively equipping targeted persons with theoretical skills and improving their general knowledge to suit the requirements of their tasks if we are to improve the political guidance skills and revamp the militancy of various party committee echelons, especially grass-roots organizations, on the political, ideological, and cultural fronts.

—improving our general knowledge and our political acumen, creating the basis for our ideological struggle, criticizing those erroneous viewpoints or conceptions, and creating a system immune to erroneous viewpoints and feelings.

—intensifying the teaching of patriotism, a love for socialism, a sense of national pride and a determination to build and defend the fatherland, and determining responsibility for the defense of the fatherland and the regime.

—instilling a sense of revolutionary awareness, trying to make everyone more profoundly aware of the enemy's schemes and tricks, especially the new tricks, and of the need to guard against uncertain, illusionary, and subjective feelings.

—building a permanent sense of the need to fight the peaceful evolution strategy among all party cadres and members, nonparty members, cadres, and combatants.

On the other hand, it is necessary to step up efforts to forge an ethical lifestyle and to fight corruption, bureaucracy, and those social negative phenomena which are eroding the confidence, ethics, and lifestyle of our society and which are also the loopholes that can easily be exploited by the enemy to sabotage us.

We must increase our information work, particularly the dissemination of internal information, with correct and practical orientations for each echelon, sector, and target. We must promptly stop the spreading of misinformation and guide the masses to struggle to analyze erroneous news reports to find the truth whenever they come across them. We must keep public opinion under wholesome guidance.

It can be said that when proposing measures to check the enemy's sabotage schemes in the political, ideological, and cultural fields, the majority of our party cadres and members see the conduct of political and ideological indoctrination, the teaching about traditions, and the fight against corruption and other social ills as very important. Simultaneous efforts must be made by responsible authorities to intensify their leadership and management and improve the quality of prints and the publishing of books, magazines, and videotapes, other cultural works, cultural and artistic activities, and radio and television broadcasts. We must not allow any leaks of secret information or any dissemination of evil and harmful cultural and artistic activities to the general public through the mass media.

We must coordinate between various agencies and rely on the masses to promptly confiscate and deal with those documents with reactionary contents and those evil and harmful cultural products in circulation in various localities and units.

It is very important that we ensure scrupulous implementation of all the principles and regulations on daily activities of various party organizations and mass organizations. We must consolidate the pattern of criticism and self-criticism and increase our inspection and control of the thoughts of party cadres and members and their social relations.

We must strengthen the party organizationally and increase efforts to protect it. We must encourage party members and nonparty members to volunteer to report whenever they come across any misinformation or those documents, publications, letters, leaflets, and cultural products with evil and harmful contents or whenever they are contacted or drawn on by reactionaries and bad elements.

We must handle each particular case with dispatch, in order to detect the enemy's schemes and as our loopholes promptly, so as to come up with effective countermeasures. Great attention must be paid to key areas, hot spots, and those targets that can easily be exploited by the enemy.

We must satisfactorily carry out mass motivation work with attention to building steadfast political establishments, propagating the lines, policies, and laws of the party and state among the people, improving the material and spiritual lives of the people, abolishing hunger and poverty in an effective and practical fashion, intensifying the indoctrination on and propaganda about party and state policies on ethnic minority groups and religions, and on freedom of religion; organizing wholesome cultural and art activities, and guiding the masses in criticizing superstitious phenomena.

In economic management, production, and business, we must minimize the negative aspects of the market system and promptly avert the indications of doing business without taking account of political consequences and without caring about the need to consolidate political establishments.

Dear comrades and friends, these are just my initial suggestions. It is hoped that various party committee echelons will study these suggestions for application while replenishing them with those measures suitable to the realities of each particular locality, unit, or party organization so as to generate the integrated strength to increase our militancy on the urgent and burning front—the political, ideological, and cultural front—if we are to foil the enemy schemes right at the grassroots.

## Enemy Use of Ethnic Groups Discussed

*BK2108063294 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 18 Aug 94*

[Article by Hoang Huan in the 20 Aug issue of QUAN DOI NHAN DAN]

[Text] As our compatriots of various ethnic minority groups are characterized by their diverse and complex emotions, customs, and traditions and by their limited education, hostile forces will often take advantage of them and oppose and sabotage our country's revolution. It is particularly noted that with the recent further intensification of their peaceful evolution strategy to eradicate socialism in our country, the imperialists have given specific attention to the ethnic issue, regarding this and the human rights and religious issues as an attacking spearhead to sabotage us. They have sought to approach, infiltrate, and transform a number of ethnic compatriots in the sensitive, inaccessible, and remote areas where economic difficulties are considerable and the people's intellectual level is still low. Through propaganda, they have incited national division in a bid to establish autonomous zones for ethnic groups and thereby undermine our great national unity bloc and cause the people to lose their confidence in the renovation undertaking of our party and state.

Proceeding from this reality, we must study this attempt by hostile forces substantively and scientifically if we are to foil it.

Looking back at history, we see that it is not only today when the peaceful evolution strategy exists that the enemy has exploited the ethnic issue. The old (French) and the new (U.S.) colonialists once tried this in our country. From 1951 to July 1954, the French colonialists dropped 40 special forces teams of 1,074 men to areas inhabited by ethnic minority groups, mainly in H'mong ethnic areas, so as to collude with reactionary elements to carry out piratic and rebellious activities.

From 1961-68, the United States dropped 18 special force espionage teams of 114 men to the north-western region. From 1954-89, not to mention the period from 1989 onwards, there were 35 cases of self-coronation and such ceremonies that caused trouble in ethnic minority areas. These cases are evidence of international imperialist and reactionary forces' attempts to oppose and sabotage us by exploiting ethnicity.

A study of a certain ethnic groups, for instance the H'mong, will enable us to be more aware of this perfidious scheme. In our country, there are approximately 450,000 H'mong scattered in various villages along the border of Lai Chau, Hoang Lien Son, Ha Giang, Tuyen Quang, Son La, Thanh Hoa, Cao Bang, Nghe An, and Ha Tinh. The H'mong are characterized by their communal lifestyles divided according to clans. The H'mongs would support and assist the one who is in the same clan, however distantly related irresspective of nationality. Secondly, they highly respect the chiefs of their clans like other ethnic minorities.

During their aggression against our country, the colonialists studied the psychological make-up of the H'mong, and tried to exploit them for their aggressived designs. All of them, from (Sevina), a catholic father, to General Salan, agreed that only by getting the support of the chief of an influential clan could they win the hearts of the H'mong. In this way, they attained certain results in their policy to use the Vietnamese to control the Vietnamese in the areas of the H'mong, climaxing in the many turmoils between 1951-54.

After the French lost their war, the Americans entered Indochina. The Americans also used the areas inhabited by H'mong to oppose and sabotage the Vietnamese revolution and other Indochinese countries. To win the support of the H'mong, the United States colluded with the Lao reactionaries in raising the propaganda label: Autonomy for the Land of the Meo. They appointed (Phom Miniphong) as head of the state and Vang Pao as special forces commander.

Today, international reactionaries are colluding to control areas inhabited by H'mong under the label of the Federation of the Self-Ruled Indochinese Meo [Lieen Bang Meof Tuwj Trij Dqoong Duowng]. They are recruiting the most notorious reactionaries who once served as lackeys of foreign countries such as (Vang Chong), (Hoanh Nenh), (Giang Bi Cua), and Vang Pao. They have even given the leadership of that reactionary federation to Vang Pao and moved his command post in Thailand to the Golden Triangle.

The Federation of Self-Ruled Indochinese Meo is now cooperating with some other exiled reactionary forces to sabotage Vietnam. For instance, the Vietnam Renaissance Organization [Toor Chuwcs Phucj Huwng Vietnam] of Tran Trong Ha in California, USA, has also worked out a program of cooperation with that federation to oppose and sabotage the Vietnamese revolution.

On the other hand, they have also organized ethnic-language broadcasts from overseas to broadcast incendiary propaganda among the H'mong and destabilized the areas they inhabit inside Vietnam. These include the H'mong language radio programs from Radio FEBC which teaches Christianity. This program quoted King Vang claiming that Jesus Christ came down from heaven to care for the H'mong from the day they were born until they die. Therefore, H'mong people must convert to Christianity.

Thus, to foil the attempts by hostile forces to exploit the H'mong in particular and other ethnic minorities at the border areas in general, we must conduct many coordinated activities. First, we must carry out ideological work to lay bare the enemy's perfidious schemes before the people. We must also strengthen and consolidate the great unity bloc of ethnic groups in support of the renovation process in the new stage.

With the promotion of national unity being regarded as the fundamental policy of our party and state, the idea of unity must be reflected in various policies and lines of the party and the state. We must intensify various leadership measures of the party and the local administration at various levels with attention being given to the various areas—political, economic, social, security, national defense, and foreign relations—in order to meet the interests, aspirations, rights, duty, and obligation of citizens and the nation.

We must regard the interests of our multiethnic compatriots as the main goal for building an equitable and civilized life, a prosperous people, and a powerful country. This is very significant and must be a decisive factor in the struggle to foil the enemy's attempts to sow national division.

Viewed from another angle, the Vietnamese people come from many ethnic groups with complex and diverse historical backgrounds, customs, and traditions. Therefore, we must firmly grasp the local situation and the psychological and emotional traits of each ethnic group. For instance, while maintaining relations with the H'mong in our country, we must see this as a part of our ties with H'mong compatriots in Southeast Asia. Only by doing this will we be able to deal with this issue scientifically and accurately, to orient the compatriots toward the revolution without allowing them to be exploited by the enemy, and to adopt practical and accurate counter measures.

Obviously, we are required to be persistent in initiating a mass movement among our multiethnic compatriots in order to understand the local situation, step up the movement to safeguard the national security at the border, and eliminate all the possible causes of instability in localities. Meanwhile, we must know how to coordinate our suppression efforts against existing reactionary forces while managing, educating, and transforming various former reactionary elements who are being drawn by the enemy.

Our compatriots of various ethnic minorities are psychologically very sensitive. Therefore, we must be cautious in dealing with them and must not allow things to go beyond our control. The need to eliminate this possibility is fully supported by science. Our inclination is to continue to rely on prominent people and the chiefs of ethnic clans to mobilize and persuade the compatriots of various ethnic groups to defend the revolution and the border, isolate the counterrevolutionaries, and prevent the enemy's sabotage schemes.

Essentially, we must work out our socioeconomic development strategy so that the various ethnic minorities will have abundant and spiritual lives. This is essential in our efforts to orient them toward the revolution, to defend the border, and to destroy all attempts to exploit the ethnic issue to sabotage our country's revolution.

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